

Clockwork of an American Mind

Uncovering the Psychological Development of J.P.
Morgan


An Honors Thesis (HONRS 499)

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Thesis Abstract

The actions of individuals are dictated by their circumstances and experiences. Often the events of an individual's youth play a significant role in dictating the type of person he or she will become. In this essay, I analyze the personality of the American financier J.P. Morgan in terms of his childhood and examine the manner in which his early experiences influenced the decisions of his later life.

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Introduction

Much of human history has been a tale of individuals who have, through their actions or thoughts, influenced progress in our world. These great people, as they seem worthy to be called, have always been of particular interest to me, for two reasons: first a large percentage (if not a vast majority) of these characters are people of great wealth and power, and these individuals are case studies of human psychology polarized by the extreme. We are able to identify the manner in which humans handle varying degrees of power, the influence of materialism, and the ability of the individual to command and administer justice by analyzing these uncommon mortals. In addition, the impact these individuals have had on history implies that their thoughts, beliefs, and axioms underlie the mechanics of our society. For instance, the distinguished English philosopher John Locke and his idea of the social contract are fundamental truths of modern democratic government. Like Locke each of these individuals has or had some philosophy, belief, idea, motivation, or perhaps even prejudice which does today or has at one time spoken to the people. As a consequence, to study these individuals is to understand the thought system which has developed through history, and to understand this is, in turn, a fundamental step in understanding our own beliefs and putting ourselves and our society in the appropriate intellectual context.

From among all of the great figures in history several have partially interested me, including: Ernest Shackelton, Alexander Hamilton, John Adams, Galileo, Gaius Octavius, Mark Antony, Charlemagne, Plato, and Aeschylus. My historical interest is primarily early ancient Greece, the Roman Empire under Augustus Caesar, and the American colonies during their struggle for independence. When I began thinking about this thesis I was sure that I wanted to take on a great person as my topic, and immediately those individuals and time periods mentioned above came to mind. However while watching a documentary on Theodore Roosevelt, I was introduced to John Pierpont Morgan. The documentary revealed that at the height of his power Morgan controlled more money than the United

States government, and that fact sparked my interest. Here was a strange moment in the history of capitalism when one private citizen had more financial capital than the government of his own nation. If ever there was an instance of “human psychology polarized by the extreme” this was that moment. Moreover, Morgan was critical in the development of American industry, and therefore I hypothesized that many of his beliefs are buried in our own ideas of industry and the economy. Finally, after some initial research I came upon a surprising fact. Morgan was a deeply private man who left little record of his own thoughts. Furthermore, any record that did exist had either been destroyed or locked in the Morgan Library. The material in the vaults was kept private until biographer Jean Strouse was allowed to examine the documents for a book she would publish in 2000. These circumstances allowed for a unique opportunity. I now had the material I needed to personally analyze Mr. J.P. Morgan, and furthermore, due to the only recent exposure of much of the most important historical information, I did not have to try to cut through the notions and suppositions of decades of biographers. Here I could, with minimal influence from others, form my own opinions and draw my own conclusions; the pages that follow are the end result of this process.

Background

In 1865 mankind would embark upon a process of transmutation; the world was changing as iron railways were replacing carriage-trails and rutted turnpikes as the arteries of the new nations. Murky crude now dripped through the scummy veins of the world eventually to be guzzled down as kerosene by the mechanical powerhouses of this new world. From 1865 to 1900 the Second Industrial Revolution would sweep across the globe. In time, mass production and consumer goods would drastically alter humankind and redistribute the wealth of the world. In the more immediate sense, the Second Industrial Revolution would translate into big-business, and big business would imply the rise of economic kingpins and industrial barons. This was the age of the trusts, and the men who created these trusts would become the wealthiest the world had ever seen. Steel, oil, and combustion engines would become the staples of this new world, and men like John D. Rockefeller, Andrew Carnegie, Andrew Mellon, and Henry Frick would become its chieftains.

Nowhere in the world was the metamorphosis brought about by the Industrial Revolution more dramatic than in the United States. In American history this era of transformation has been called the Gilded Age, the Age of Enterprise, and, perhaps more descriptively, the American Renaissance. As the name implies, during this period the American economy would enter into a stage of rebirth, for the Industrial Revolution was transferring the riches of the world from the time-worn bank vaults and pocketbooks of England and Continental Europe to the booming American economy. "At the time of the Civil War," writes John A. James in *Structural Changes in America Manufacturing, 1850-1890*, "[America] was still essentially a country of small-scale enterprises." Indeed in the years leading up to the Gilded Age America was for the most part a rural society with a rural economy. However, by the early 1900s it would surpass even England as the commercial capital of the world. In a word, America was transforming with unprecedented rapidity from an agricultural based nation to a bustling economic hub.

The furious American transition from agrarian cultivation to industrial production would create within the United States an enormous demand for financial systems capable of funding this economic boom. Such a structure would be no small matter, for the system already in place was utterly inept. In 1832 President Andrew Jackson struck-out against American plutocrats by dissolving the national banking system. In his book, The Molding of American Banking, author Fritz Redlick describes the motivation behind Jackson's actions.

Jackson was not lacking in political and social philosophy, rather he clung too tenaciously and uncritically to the one which he had embraced as a young man and which by forty years of economic development was already outdated when he came to power. Like Jefferson, Jackson had set his face like flint against the forces of capitalism which he did not understand and which of course he could not stop. Jackson was indifferent to the influence of the so-called dignified classes because he believed in the common people as the source of political authority . . . Thus twenty to forty years after his ideological ancestors, Thomas Jefferson and John Taylor, had evolved radical agrarianism and secured its temporary victory, Jackson fought the last battle of a lost fight to save the old agricultural order. In the Bank War he won the last victory in a lost cause. (163)

As Redlich suggests by his reference to the "Bank Wars" Jackson's actions obliterated the central banking system and left state and local banks as the sole financial institutions of the country. While these banks could adequately provide loans to farmers and local merchants, they lacked the necessary girth to fund the large-scale industrial expansion of the new era. Consequently, the times demanded a figure who could bring order to the chaos of the financial system and indeed within this expansionary environment an American "mega-banker" would emerge.

John Pierpont Morgan (JPM) would become this "mega-banker." Morgan was many things: a banker, financier, captain of consolidation, and railway connoisseur. He was the mastermind and

muscle behind the formation of U.S. Steel (the first billion dollar corporation), the organizer of the International Mercantile Marine Company, and the savior of the West Shore, Reading, and Ohio railroads. Outside of the financial realm Morgan was a philanthropist and a collector on a grand scale. He gave heavily to the Metropolitan Museum of Art in New York, created one of the first maternity hospitals in the country, founded the Morgan Library, and donated significant sums of money to schools, churches, and other charities. As a collector he accumulated manuscripts, gemstones, paintings, drawings, prints, and sheet music. Morgan was also an organizer preoccupied with the idea of order, a man of utter self-confidence within the financial realm, and a patriarchal figure responsible for almost single handedly saving the American economy in the Panic of 1907. These defining characteristics would be the factors that would dictate Morgan's actions from 1857 until his death in 1913.

Having mentioned the most critical aspects of his personality, my purpose in this paper is to explore the manner in which the events of Morgan's youth shaped his character and led to the development of his desire for order, his extreme self-confidence, and his patriarchal approach to banking, and then after tracing the development of these traits I will analyze several decisions made by Morgan in his later life and the manner in which these decisions were shaped by his habits.

An Early Need for Control

Perhaps Morgan's most overriding psychological quality was his desire for order, a feature that would develop as a result of the loss of a loved one, personal illness, a demanding father, and a distant mother. For Morgan this yearning for order first manifested itself as an outright desire for control, which was so readily apparent that he even recognized this desire as a motivating factor in his early life. He would even go as far as to address the topic when he was 25 in a letter sent to his father.

The wear & tear upon me does not arise from deficiency in help. The fault is with myself & myself only—it is my nature & I cannot help it. When I have responsibility laid upon me I cannot throw it upon anyone else however competent the party may be. I am never satisfied until I do everything myself or personally supervise everything done even to an entry in the books. This I cannot help—my habit since I have been in business has been so & I cannot learn to do otherwise. (Quoted in Strouse 107)

Clearly, Morgan was aware of his longing for control, however prone to avoiding self-explanation and self-analysis he never offered any rationalization as to why this was his nature. In the absence of such testimony, I will establish the events and circumstances which were quintessential in the development of Morgan's desire for control, and then in order to complete the explanation I shall trace the manner in which this desire for control in his later life transformed into a desire for order. In general, while this development has roots in several different events and incidences, the occurrence itself is not difficult to explain. Indeed, Morgan's colossal desire for control is primarily explained by a few reoccurring childhood events.

However, before documenting the individual events which led to this development consider first the desire for control in general psychological terms. Humans naturally yearn for a certain degree of mastery over their environment. Moreover, while the desired level or degree varies from person to person and from event to event, an individual's overall desire for control can deviate from the norm to such a degree that society considers one's psychological need abnormal. Often in cases of extreme separation from the mean some outside stressor or series of stressors is responsible for the deviation. Little imagination is required to come up with possible examples of such psychologically damaging events: an abusive parent, the traumatic loss of loved ones, or a debilitating disease. Regardless, such events introduce the individual to moments of extreme loss of control, and the panic and terror associated with these events are often sufficient to cause the individual to fear, perhaps irrationally,

similar future events. As Aristotle would write, “The aim of the wise is not to secure pleasure, but to protect against pain” (Wood 321). If indeed the avoidance of pain is among the ultimate goals of humanity then surely in cases of extreme loss the dread of the repetition of the same or a similar event can be so great as to cause the individual to take all possible measures to avoid future loss of control. In such instances “control” can serve as a self-produced coping mechanism protecting the individual against the fear of a future event.

Earlier an abusive parent, the traumatic loss of a loved one, and a debilitating disease were cited as possible occurrences that could have crippling psychological consequences. In addition to such singular tragic events, a sequence of unfortunate though significantly less severe events can lead to the same end. The seriousness of a continual string of violations is something easily understood in a nation formed because of “a history of repeated injuries and usurpations” (US Declaration of Independence). Consider the case in which a parent rebukes his or her child. Such isolated events can be beneficial to the child and can correct inappropriate and socially unacceptable behavior, but if done constantly and continually such remarks become only damaging. Furthermore, an inventory of Morgan’s life reveals a sequence of such hapless, though not traumatic events—with one fairly significant exception to this claim.

In 1858 Pierpont Morgan was introduced to Amelia Sturges; Morgan had just begun his professional life and was working in the United States as a clerk for the firm of Duncan & Sherman. Also serving as an American agent to his father’s English firm, Morgan began visiting Jonathon Sturges, a friend and client of his father. In the spring of 1851 he, while visiting Mr. Sturges on business, was introduced to his daughter, nicknamed Mimi. The two fell in love, and in the summer of 1861 Morgan asked Mimi to marry him; she accepted (Hoyt 103). For him the idea of marriage was exhilarating and endearing. Almost a century later Carl Jung in his book Man and His Symbols would write of marriage:

Here we come to that aspect of initiation which acquaints man with woman and woman with man in such a way as to correct some sort of original male-female opposition. Man's knowledge (logos) then encounters woman's relatedness (Eros) and their union is represented as that symbolic ritual of a sacred marriage which has been at the heart of initiation since its origins in the mystery-religious of antiquity. (126)

In the summer of 1851 the words of Jung would have sounded wholly true to Morgan. Indeed to him Mimi was a correction to an imbalance in his own life. His fiancé, who because of her physical beauty as well as her education background in both music and foreign language, symbolized for Morgan both beauty and the arts. Furthermore, as a consequence of her feminine nature and the many hours she was able to spend in quiet study of music, she also represented for him tranquility and a quiet domestic life. All considered, Mimi was a sharp contrast to Morgan's life of numbers and business, and consequently for him their marriage embodied a union of opposites—an alliance which would “correct some sort of original male-female opposition.” As a result, the answer Morgan received in the summer of 1861 put him in high hopes.

While the impending “sacred marriage” seemed perfect, harsh reality began to confront the couple even before their wedding. Mimi became ill soon after Morgan proposed and as time passed her health continued to deteriorate. “By the end of the summer it was apparent that Mimi Sturges had developed tuberculosis, or consumption as it was then called” (Hoyt 103). She eventually told her fiancé that she would be unable to marry him, but with great hope and in optimistic fashion he refused to accept her decision. Instead, he insisted that they continue with the wedding and that for their honeymoon they would go to the “warm Mediterranean ports...to restore her health” (Chernow 22). Mimi agreed, and they married. However, during the honeymoon her health continued to degenerate. Soon she was unable to walk, and Morgan asked Mimi's mother to come to the Mediterranean to help him provide care for his wife. As her condition continued to degrade Morgan grew increasingly attached

to his wife and clung further to the hope that all would be well. During this time Mimi would “have only praise for the provider of this loving care. Pierpont carried her up seven flights of stairs one day in Paris. ‘It is an anxious charge,’ she told her parents, ‘& at present I can do little to repay him’” (Strouse 97). However, despite all of Morgan’s sanguineness and loving care Mimi died before the couple returned home from their honeymoon.

For Morgan the short marriage with Mimi was precious and, moreover, was filled with the mutual reliance he hoped he and his wife would share. The time they had together was left uncorrupted by argument and petty strife; in fact, their numbered days had been spend almost exclusively struggling together against a common enemy—death—which threatened to destroy their new sacred union. For Morgan the relationship was flawless and beautiful, but in the end was destroyed by the unpredictable outside world. *Isle of Beauty* by Thomas Haynes Bayly ends in the words “When the waves are round me breaking / As I pace the deck alone / And my eye is vainly seeking / Some green left to rest upon / When on that dear land I ponder / Where my old companions dwell, Absence / makes the heart grow fonder / Isle of beauty fare thee well” (Mackay 302). Similar to the character in Bayly’s poem, Morgan’s marriage to Mimi would come to symbolize a departure from beautiful harmony into isolation and turbulence. Everything considered, Morgan was hopelessly in love, but death in all of its ugliness would crush out of existence the object of his affection just as his heart beat the strongest.

While events earlier in Morgan’s life would have by this point led him to desire control, Mimi’s death would only perpetuate and justify his continual need for power over his environment. For him their marriage emerged as a symbol of beauty, bliss, and happiness. However, death as the destroyer of that bliss came to represent for Morgan the obliteration of happiness. The pain he experienced as a consequence of this event was so significant and so traumatizing that he began to fear the slightest loss of control; in other words, the panic and terror associated with these events was so severe as to cause

Morgan to unconditionally fear similar future events. Ben Jonson in his *Epitaph on the Countess of Pembroke* writes, "Underneath this stable hearse / Lies the subject of all verse / Sidney's sister, Pembroke's mother / Death, ere though hast slain another / Learn'd and fair and good as she / Time shall throw a dart at thee" (Jonson 27). Johnson describes death as some reckless roller of the dice, and Morgan began to assume a very similar view. With time he began to associate the pain and suffering of Mimi's death with the chaotic and unexpected. He came to hate and fear the chaotic, the uncontrollable, for it in the form of death had taken from him that which he held most dear. In such a way this traumatic event reinforced Morgan's feeling of loss of control and forced him to compensate by increasing his own desire for stability.

In addition to Mimi's death, events from earlier in Morgan's life also influenced his herculean desire for control. Among these events was his almost perpetual personal illness. Throughout his early years Morgan was constantly plagued by disease and sickness. Even before his first birthday Morgan began to experience horrible seizures. In her book Morgan: American Financier Jean Strouse describes the frequency of these seizures.

Illness descended on his childhood with the unpredictable regularity of bad weather. Two months before his first birthday, in February, 1838, "young Mr. Morgan" began having convulsions. Joseph [Morgan's grandfather] wrote in his diary on the nineteenth: "Junius Child had a fit." Early in March: "Junius Boy has had sick week better today no fits for several days." And on March 24: "Junius Boy worse has many fits." (25)

The convulsions would eventually pass, but they would only be replaced by other maelstroms. At the age of 4 he developed "lung fever" or pneumonia. Six months later he would come down with scarlet fever. As Morgan began school his troubles continued. Jean Strouse would again describe Morgan's ill-health.

Pierpont stayed home from school much of that term with ear aches and boils on his face, ears, and neck...Though plagued by sore throats, headaches, and ulcerated chancres on his lip, he played football and chess, studied Latin and Greek, and in the spring spent his free time fishing, frogging, riding, sailing rafts, hunting wildflowers, and planting a garden. (37)

The semester of illness that Strouse describes was not extraordinary, but rather a fairly common occurrence. For instance, in the spring of 1852 Morgan became sick with rheumatic fever which caused inflammation of his knee and hip. The swelling became so severe that throughout the ordeal he was unable to walk. Because of the ailment his parents would eventually send him to Faial in the Azores to recover. After months spent recuperating he finally regained the weight he had lost due to the affliction. However, just as he was planning his return he developed a case of the flu. This ailment was followed by an inflammation of his toes, and again he was left unable to walk. With time however he recovered, and on this occasion his return to health was not instantaneously met by another malady. Once again healthy, he returned home after 12 weeks in Faial.

Following his exile to the Azores, Morgan would almost immediately be dispatched to a new school in Switzerland where he was to study French, but the unfamiliar environment would bring a new round of ailments. Edwin Hoyt in his biography entitled The House of Morgan writes on Morgan's declining health in Switzerland, "All went well until Swiss winter set in. Pierpont was ill in January and February with symptoms so disquieting to the school doctor that consultations were held with others" (82). Morgan was also beginning to have problems with acne and complained about stiff necks and sore throats. However, the illness that "disquieted" the doctor was probably another case of lung fever. With the exception of this illness the more severe problems, such as convulsions and scarlet fever, were no longer an issue, but acne was now proving itself to be Morgan's persistent and ongoing enemy. Although his newfound dermatological problems were certainly less debilitating than the earlier sicknesses which had left him unable to walk or rise from bed, he was still extremely concerned about

his acne; the concern was a consequence of an acute sensitivity regarding the condition of his own appearance. Ron Chernow in his book The House of Morgan would address this demeanor, “[Morgan] was a dashing, foppish boy, partial to polka-dot vests, bright cravats, and checkered pants. Already self-conscious about his skin eruptions, he shied away from the popular student duels that might disfigure his face” (20). Morgan’s preoccupation with the visual would be further supported by his account books during the 1850s which reflected “his tactile, visual sensibility and mandarin tastes. In Paris he bought himself leather boots, white kid gloves, a coat (115 francs--\$23), a vest, ‘pantaloon’, collars, a beaver hat, and a stash of cigars” (Strouse 56). With such concern for appearances Morgan’s acne was disheartening in that it hindered his ability to become the aesthetically pleasing individual he desired to be.

While the acne was a loss of control over his own appearance, the other more serious illnesses were more dramatic examples of loss of control over, in some cases such as with the convulsions, his entire body. The connection between loss of control and serious illness is frequently discussed in health related texts. For instance, Chronic Illness by Ilene Morof Lubkin states that psychological loss of control is often “related to the problematic biological changes associated with chronic illness” (312). In short, Morgan’s illness left him feeling helplessly vulnerable to uncertain, uncontrollable events. While Morgan would never be able to control the terror associated with the loss of control he experienced due to illness, the fear would certainly play a significant role in the development of his extreme desire for control.

Having cited loss of his wife and his own continual illnesses as two factors which contributed to Morgan’s desire for control still further factors should be cited. His father, Junius Spencer Morgan (JSM), placed high expectations upon his son and dictated the course of his son’s life so as to best prepare him for adulthood. For instance, JSM decided that his son should follow in his footsteps and enter into the banking business. (In order to prepare him for this life he even took his son to

stockholder meetings and gave him small tasks at the bank in order to prime him for the future he was to inherit.) The elder Morgan also decided which school his child would attend and when the time had come for his son to move to the next institution. JSM even attempted to dictate the type of investments his son was to make. In fact, to his twenty year-old son he would write:

I do not like you buying stocks or having your mind turned in that direction. How many have been shipwrecked on that one thing—speculation in stock. I want you to bring your mind quietly down to the regular details of business... [and resolve] never to buy and sell on stock speculation. (Quoted in Strouse 77)

Moreover, JSM was not content on simply expressing his dissatisfaction. He would force the issue if required. In the next letter to his son he would write:

People who put themselves in position to lose twice their capital by speculation are not safe people to be entrusted with the business of others—to say nothing of their ability to protect & look after such interests...I decided therefore to transfer from you all of our business on the 1st of April. (Quoted in Strouse 112)

The elder Morgan was firm in his belief and would force the issue by taking away his son's business if need be. Indeed, this domineering manner was the course JSM took regarding most issues. For instance, when Pierpont Morgan finished his education his father would be the one to decide where the young man would begin his career. (The younger Morgan wanted to travel to the Far East and work there, but JSM would send him to clerk in New York instead.) By the same token JSM was even the one to decide when his son would return home during his stay in the Azores, despite being an ocean away. The likely reasons for the elder Morgan's domineering nature are not difficult to explain and have much to do with the time period and the environment in which the two men worked. In fact, the motifs for JSM's totalitarianism relate to both the patriarchal society of nineteenth century New England and the attitudes in the banking industry at the time.

New England, for much of early American history, had been under strong control of Puritanism and other intensively conservative religious groups. The influence of this religious thinking led to an extremely male-dominated, patriarchal society. Clint E. Bruess and Jerrold S. Greenberg in the book Sexual Education write on this topic:

Puritan New England contributed greatly to the shaping of sexual thinking in the early days of the new United States. Puritans believed in the supreme sovereignty of God and the totally sinful nature of man. The patriarchal family structure was the rule, and the father made all important decisions, even those related to future mates of children. (26)

By Morgan's day some of the extreme patriarchal tendencies were beginning to fade away, although upper-middle class New England society still remained a male-dominated group.

On the second point, at this time in history the most prominent banks in the world were safely guarded family affairs. The leading example at the time was that of the Rothschilds. A century before Morgan, Mayer Arnschlag Rothschild had started a bank in the Frankfurt ghetto; his institution would eventually become the largest bank in the world and would serve clients such as Napoleon and the French Empire. Despite the bank's size however, the Rothschild bank would remain a family affair even decades after Morgan's death. These were the conditions of the banking industry in the middle to late nineteenth century. The male heirs of bankers were expected to continue their fathers' legacies and manage the family bank after their fathers' deaths. Everything considered, this cultural tendency towards a male-dominated society and the practice at the time of bankers dictating the future of their sons led JSM to assume a very domineering nature.

Regardless of the motifs underlying the elder Morgan's tyrannical nature, Pierpont Morgan, given little freedom and little latitude regarding major decisions, would yearn for more control over his life. In truth however, he seemed to truly desire a life in banking. He excelled at the mathematical concepts underlying finance, and he perceived banking to be a means of supporting the lifestyle he

desired. Because the thoughts of father and son frequently aligned, JSM's authoritarianism was in no way debilitating. However, despite all of his good intentions much can be said in favor of the freedom to choose one's own path. Jean-Jacques Rousseau in The Social Contract would go as far as to exclaim, "I prefer liberty with danger to peace with slavery" (67). Indeed there seems to be a desire for liberty inherent in mankind. All considered while JSM's totalitarianism did not influence Pierpont Morgan to the same degree as the loss of Mimi, his father's domination did contribute to some increased desire for control.

JSM's tyrannical nature, however, impacted his son in another manner. In a 2003 dissertation entitled *The Father Archetype and the Myth of the Fatherless Son*, W. Singleton emphasized how cultural imagery influences the Father Archetype. As has already been stated, cultural opinions and traditions influenced the manner in which Junius Morgan related to his son and reinforced JSM's totalitarian tendency—creating in the elder Morgan an ideal model of the Father Archetype of that day. Moreover, JSM's overwhelming success in business and his strong personality produced in his son a positive perception of his father's behavior. Hence, in interacting with his son it seems likely that Junius Morgan passed his paternalistic and domineering nature to his son, thereby in an almost cyclical manner instilling within his own son the culturally prescribed Father Archetype of the day.

To understand further Morgan's adoption of these mannerisms, consider more carefully Morgan's family life. His mother was subject to clinical depression, and consequently she frequently isolated herself emotionally from her son. Unable to connect with his mother Morgan looked to his father for support and attention, and JSM likewise provided this attention to an almost overbearing extent. As a result, all evidence seems to suggest that the young Morgan turned to his father and not his mother for guidance. Taking on his father as a role model, he naturally adopted one of his father's prominent qualities—his domineering nature.

Finally, an example demonstrates that Pierpont Morgan did indeed adopt his father's dictatorial nature. In general, Morgan's domineering nature manifested itself in his business life. As mentioned earlier, Morgan, in his later life, was in the business of organizing huge multimillion dollar consolidations and through his banks was also playing watch dog to the entire economy. In fact, the degree of power Morgan's organization had over the market would become public knowledge in 1912 during a congressional subcommittee hearing meant to investigate the "money-trust." Chernow summarizes the findings of this committee and in the same instance express the sheer size and power of the institutions Morgan influenced.

But let us first note the awesome Morgan power that was revealed, lest the Money Trust theorist seem malcontents. Some 18 major corporations, including many of the country's most powerful holding companies, banked at Morgans. Pierpont and his partners, in turn, held 72 directorships in 112 corporations, spanning the worlds of finance, railroads, transportation, and public utilities. In this era of relationship banking, board seats often meant monopoly on the company's business. During the previous decade, the House of Morgan had floated almost \$2 billion in securities—an astronomical figure for the time. (152)

In short, Morgan's influence in the financial world was colossal, and in fact at the peak of his power it was often said that Morgan controlled more money than the entire United States government. Holding seats of authority in everything from steel factories to art museums, Morgan had indeed inherited from his father an influential and domineering nature.

While Morgan's father significantly influenced the development of his character, his mother Juliet Pierpont Morgan also influenced the individual he would become. Throughout much of her adult life Juliet Morgan would remain a depressed and isolated individual. Accounts of the distance between mother and son and the insensitivity she showed toward her child still exist. For instance, Strouse

comments on a letter between mother and son remarking on the reproach and lack of empathy shown by Juliet Morgan.

There were fewer congenial notes in Pierpont's relations with his mother. A decade into her marriage Juliet Morgan had lapsed into cranky self-absorption. Her letters to her son alternated between cautious platitudes with complaints about her own troubles, and offered far more criticism than motherly comfort. When he left one winter, at age thirteen, she wrote, "I think you will continue to be [happy and well] if you are true to yourself, and do what you can for the good of others, keep to the right path. Be open-correct & never swerve from the truth of any consideration." He had been gone only a week and was homesick: "Don't write too often to multiply postage," Juliet sent love from the family, then issued another long-distance reprimand: "10 ½ o'clock is rather too late a bed hour for you." As the term went on, she forgot to send things he requested, reproached him for not liking what she did send, and correcting his spelling. Informing him some pigeons he had been keeping at home had been stolen, she reflected that it would be a loss to Junius and a disappointment to the neighbor taking care of them, but not that it might be painful to her son. (34)

Other examples come to mind. For instance, in Faial hundreds of miles from family and friends Morgan had grown lonely. During his stay on the island he wrote home weekly begging for correspondence. However, his mother would never write him. As mentioned earlier her aloofness would push Pierpont Morgan closer to his father, but her depression would also have more acute effects on her son's psychology.

Today the influence of mothers upon their children has become a universally accepted psychological fact. Renos Papadopoulos in a text entitled The Handbook of Jungian Psychology addresses this topic.

For most people nowadays the containment/nurturance stage extends throughout much of the education experience, from infancy and the years of primary and secondary school, through university studies and further professional training. During these years, a person, even if physically and to some extent psychologically prepared to assume some of the roles of adulthood, is not fully equipped to deal with the demands of social life and is usually not economically viable as an adult member of society...The quality of the containment/nurturance stage is defined, symbolically speaking, as maternal...At the emotional level, nurturance is delivered (ideally) in the form of warm support and encouragement. Young children are loved unconditionally, appreciated for being rather than doing. The harsh aspect of reality is screened out. (200)

Thus Papadopoulos, through a description of what is called the containment/nurturance stage, explains the manner in which mothers influence their children, and within this context Juliet Morgan's influence upon her son can be further understood. As has already been suggested her depression isolated her from her son. This isolation deprived young Morgan of motherly nurturing, and as a result he became prematurely exposed to the "harsh aspect of reality." This exposure was further expounded by JSM's harsh, practical nature. Under such conditions young Morgan discovered early the chaos and uncaring of the outside world, and this experience with cruel reality led him to desire control so as to avoid the unpleasantness of the outside world.

Despite Juliet Morgan's emotional isolation, however, her son was by no measure cast into some dark and twisted cycle of psychological deterioration. In other words, while Morgan was influenced by his mother's depression, her condition did not result in deep, penetrating psychological scars. The reason he was capable of dealing with his mother's illness is that for much of his youth he was away at various boarding schools in America, Switzerland, and Germany, thus maternal separation to him felt more like a result of physical separation than emotional isolation. In addition, as a student

within these schools Morgan was living with a peer group that was experiencing the same separation. These two factors must have certainly eased the psychological ramifications of the division. The point here is that while Juliet Morgan did remain removed from her son, the separation was never really experienced on a personal level. As a result, while her depression affected her son, the influence of the condition was small and less significant than any of the previous factors mentioned.

In summary the loss of a loved one, perpetual personal illness, a totalitarian father, and a depressed mother initiated within young Morgan's life chaos and suffering. This suffering, in turn, led him to fear the unmanaged, the wild; a fear which he compensated for by attempting to control his environment as best he could.

Early Control Leads to a Need for Order

As mentioned earlier, Morgan's initial desire for control would by middle age evolve into a more lax desire for order. In a passage from a letter Morgan wrote to his father, cited earlier, he describes his need to see things done and his dissatisfaction if work is not completed under his supervision—"I am never satisfied until I do everything myself or personally supervise everything done even to an entry in the books" (Quoted in Strouse 107). At this young age, control to Morgan meant personal supervision of the business of his day to day life. However, as Morgan grew older his economic girth expanded to the point at which he was serving as America's chief financial entity. By this point Morgan was involved in so many aspects of the American markets that direct personal control was impossible. Winston Churchill would say:

The price of greatness is responsibility. If the people of the United States had continued in a mediocre station, struggling with the wilderness, absorbed in their own affairs, and a factor of no consequence in the movement of the world, they might have remained forgotten and

undisturbed beyond their protecting oceans: but one cannot rise to be in many ways the leading community in the civilised world without being involved in its problems, without being convulsed by its agonies and inspired by its causes. (James 6823)

Churchill's words also apply to Pierpont Morgan. Indeed, as Morgan grew in power he had more and more responsibility thrust upon him, and such became the degree of his responsibility that he was no longer able to independently control all those matters for which he was accountable. In other words, by becoming the leading banker in the nation he was becoming involved in the countless problems and dealings of the nation; he was learning that the price he had to pay was the continual increase of his responsibility. As a result, out of physical necessity Morgan's desire for control morphed during his mid-life into a desire for order. On Morgan's subsequent delegation of responsibility Strouse writes:

Morgan's other new associate was Charles H. Coster, who had been working at Egisto Fabbri's shipping and trading house. Fabbri highly recommended the thirty-two year-old Coster, who soon proved invaluable to Drexel, Morgan, and Company. Pierpont in his first years on Wall Street had paid such close attention to detail and been so unable to delegate responsibility that he periodically collapsed in "nervous" exhaustion. Twenty years later, the business had grown beyond even his capacity for single-handed control. Coster had what John Moody later called "a mind in a generation for detail," and over the next few years he took charge of the technicalities in Morgan's corporate world. (245)

Morgan's delegation to Coster and other partners demonstrates the transformation of his desire for control to a desire for order which for practical reasons was thrust upon him in his later forties. In addition, this change seems reasonable if considered within the context of Morgan's personality. His early desire for control was a consequence of a fear of the unknown, but by forty-five Morgan had the resources available to handle almost any financial circumstance. As a result, his ability to handle the situations which he feared (at least the economic ones) required him to only maintain his current

position, and with an effective business organization already in place such maintenance only required a continuance of structural order. Thus, by the mid-1870s his desire for direct control evolved into a desire for order.

Perhaps the best example of Morgan's later desire for stability over control comes from the case of US Steel. Before US Steel, Morgan served as the banker and financier for National Tube and American Bridge. Elbert Gary, the man in charge of both of these corporations, suggested that these firms, with Morgan backing, purchase Carnegie Steel, but Morgan would have none of this—saying in very uncharacteristic words, "I would not think of it. I don't believe I could raise the money" (Quoted in Strouse 400). However, later that year Morgan attended a banquet in which Charles Schwab, President of Carnegie Steel, would speak. During this talk Schwab suggested that if consolidation of steel-producers, raw-material suppliers, and transportation entities "could be achieved...the premier enterprise driving the American economy would continue to grow, ensuring stable markets and ample profits for producers, lower prices for buyers, and pride of place in the modern industrial world for the United States" (Strouse 401). What Schwab meant by this consolidation was fundamentally a merger of Carnegie Steel, National Tube, and American Bridge. This was identical to the suggestion Gary had made earlier in the year except the argument by Schwab was filled with thoughts of stability and order. Morgan took the hook this time and that night spoke to the Carnegie President about acquisition of the firm. Soon he would be in talks with Andrew Carnegie himself and within two months National Tube, American Bridge, Carnegie Steel, and several smaller companies would be merged into the largest corporation the world had ever seen. Furthermore, when the time came to decide who would run the new company Morgan did not choose himself but other competent individuals. Here Morgan selected the order and stability achieved by merging the firms, but did not take personal control as he would have in earlier years.

A Patriarchal Tendency Emerges

Desire for order certainly developed into a defining aspect of Morgan's life, but there are other traits developed during his youth that significantly influenced him. Morgan Scott Peck in his book Further along the Road Less Traveled writes:

I hope you will abandon the urge to simplify everything, to look for formulas and easy answers, and begin to think multidimensionally, to glory in the mystery and paradoxes of life, not to be dismayed by the multitude of causes and consequences—to appreciate the fact that life is complex. (14)

Truly the human is almost infinitely complex and each has a multitude of unique beliefs, experiences, and attributes. For Morgan, amidst all of his unique qualities he possessed another defining characteristic, which like his desire for control developed as a consequence of his childhood experiences. This quality could be called his patriarchal tendency and was a disposition marked by an inclination to take care of, support, and aid others—much as a father would care for his offspring. For instance, Morgan personally supported Jim Marke, his doctor and the head of a charitable hospital Morgan operated, and the clergyman William Rainsford, the leader of Morgan's local church. On a grander scale he aided society's more destitute by personally funding a local New York clinic and hospital. He established the Amelia Sturges Morgan Memorial Fund and gave to institutions of higher education. However, his most substantial contribution would come upon his death in May of 1913; in his last will and testament he writes, "It has been my desire and intention to make some suitable disposition of [my collection in art]...which would render them permanently available for the instruction and pleasure of the American people" (Quoted in Strouse 685). Morgan would bestow the totality of his collections to his son, Jack. However, Morgan had expressed to his son both in life and through his will the wish that a significant portion of the collection be made "permanently available for the instruction

and pleasure of the American people.” Jack Morgan in accordance with his father’s wishes would therefore gift or permanently loan millions of dollars worth of art and manuscripts to the New York Metropolitan Museum of Art. In fact, Morgan’s gift would be so large that after his death in 1890 the Museum would have to build a new wing to accommodate the expansion of their collection.

Everything considered, these actions demonstrate Morgan’s desire to take care of the community and emphasize his sense of responsibility to the nation. Moreover, just as his desire for control was shaped by his experiences, particularly the developments of his early life, his patriarchal tendency was similarly shaped by life events which include: the attitude toward banking which Morgan developed during his youth, the influence of his father, and the social environment of the time.

Among these influences perhaps the most significant upon the evolution of his character was the banking environment of the day. The banking system in America during Morgan’s lifetime was in an age of great transition. Prior to the Gilded Age, even before Jackson obliterated the central banking system, banking was mostly performed on a small, rural scale. Local banks of inconsiderable size would handle most of the financial activity of the American people and for large endeavors, if they so arose, foreign banks would be contacted. The Second Industrial Revolution, however, created a new demand for large financial institutions capable of handling huge sums of money. The new demand forced banks to grow, but despite the increase in magnitude bankers still maintained the ideology of the previous era. They continued to organize banks as privately owned houses instead of large corporations, and they maintained the notion that private bankers were personally responsible for the funds they managed—that is to say that bankers as individuals continued to feel responsible for their decisions as money managers. The reasons for this lack of change in banking ideology was partially a consequence of banks still being formed as private enterprises, but there is another important fact to consider. The new Industrial Revolution was not only increasing the production capacity of the world, but also aproportionally enriching the organizers of industry. Captains of consolidation such as Andrew Carnegie

and John D. Rockefeller possessed more money and controlled more resources than entire nations. Consequently, even with the increased size of the banking industry, the leading banks still associated the figures of their ledgers with faces. All be it, the faces Morgan would have correlated with his books would have been the visages of America's industrial giants—a veritable boys' club of railway tycoons, steel magnates, and bank bosses. As a result of this, Morgan, like the other honest bankers of his day, continued to feel personally responsible for the assets of his customers. Perhaps Morgan summarized his feelings about banking best when he wrote to his friend Jim Goodwin, "If it were simply my own affairs that were concerned, I would very soon settle the question and give it up, but with the large interest of others on my shoulders it cannot be done... I often think it would be very desirable if I could have more time for outside matters" (Quoted in Strouse 199). The degree to which he felt personally responsible for the interests of his clients is apparent.

For Morgan personal financial responsibility for his customers' assets translated into a patriarchal outlook toward banking. In almost all cultures and in all generations preceding Morgan's, the male's role as father translated into a male role as breadwinner. The fact is so well established that no evidence is needed to support the claim that in nineteenth century America, and all of Western history leading up to that point, the father was responsible for economically supporting his family. Being raised in an upper-middle class American family Morgan would have prescribed to this outlook almost absolutely. As a result of this close relationship between economic providership and fatherly responsibility, Morgan viewed his financial responsibility at the bank as an almost fatherly duty. This perception was probably further expounded by his childhood experiences. Throughout his youth he may have associated the role of bank director with his father and therefore naturally assumed that bankers were fatherly figures. If this connection was not made early on, he definitely would have made the association as he began working as an agent for his father's bank. During this time, he would have

simultaneously experienced JSM as both father and bank manager, which would have surely established the image of bankers as patriarchal figures.

Morgan, comfortable with his patriarchal position within the bank, would generalize the role until he addressed all of his affairs, both business and social, with a patriarchal sense of responsibility. The reasons for this generalization are easily explained. As Morgan developed as a banker he became one of the wealthiest figures in history. This wealth provided him with the means to provide and care for the community and, in addition, his religious beliefs dictated that he must provide for the poor and destitute. Out of these circumstances Morgan was almost forced to assume a patriarchal role in society. Moreover, as the American clergyman Norman Vincent Peale would say, "Repetition of the same thought or physical action develops into a habit which, repeated frequently enough, becomes an automatic reflex" (Peale 93). Indeed for Morgan this tendency was his continual habit in business and carrying over such a tendency into everyday life was natural and effortless. Finally, Morgan had economic reasons for adopting this tendency, and indeed an explanation of the motivation for his patriarchal treatment of society can be provided within the context of his experiences in finance. Morgan thoroughly understood the American economy and the interconnectedness of the individual parts of the market. He had seen how the actions of a single wild speculator with financial backing could destroy the security of an entire financial sector, and he had observed how the misgivings of a single company could send investor confidence, and the market, spiraling downwards. For instance, in 1901 Edward Harriman initiated a raid on Northern Pacific Railway; the event caused Pacific stock to jump by nine-hundred dollars and would have destroyed short sellers and caused economic chaos had not Morgan intervened. Consequently, Morgan realized that there was an economic equivalent to Newton's Third Law of Motion and that in order to counteract brash, malicious parties, a counterforce was necessary. As a result, he would have been able to justify the expansion of his patriarchal perspective on banking into the social realm by reasoning that the financial aid he offered to individuals and public

institutions would create economic security that would help everyone. All said, the evidence suggests that Morgan's perspective on the banking industry influenced the development of his patriarchal nature.

In addition to the influence from the banking industry, other factors also influenced Morgan's patriarchal nature, and indeed, as would seem natural, Morgan's father played a significant role in the development of this attitude. Susan Crockenberg and Deborah Forgays in their paper *The Role of Emotion in Children's Understanding and Emotional Reaction to Martial Conflict* suggest that within the family structure fathers often tend to have more weight in family decisions and therefore children, perceiving their fathers to be more powerful than other adults, emulate their fathers. While Crockenberg and Forgays theory has received some criticism from the scholarly community, the common agreement amidst psychological professionals is that children tend to emulate the more dynamic parental figure. As has already been mentioned, JSM was actively involved in the lives of his children, especially his son. This forceful and penetrating involvement and his wife's contrasting lack of involvement would certainly cast JSM as the figure more worthy to be emulated. Everything considered, JSM's patriarchal control of the family probably seemed to the children to be the only entity keeping the group from becoming dysfunctional. Therefore, Morgan probably judged the overbearing aspect of his father's character as positive and indubitably emulated his father in this manner later in life.

While society and cultural expectations influenced Morgan's patriarchal tendency by shaping the banking atmosphere and influencing the behaviors of his father, society influenced this aspect of his character in a more direct manner. Western society, prior to the twentieth century, emphasized a male socially dominated society. This conception was so essentially embedded within our society that it had been the practice even in ancient Greece. (This point, as well as some of the ideas that will follow, have already been made in regard to the motives underlying JSM's character and the manner in which his character influenced Morgan's desire for control, but they deserve to be mentioned again in connection to this although difference topic.) Consequently, the fact that Western society has been deeply

influenced by patriarchal proceedings is indisputable. Moreover, undertones such as these were exceedingly common in American culture during Morgan's life and were further influenced by strong religious and cultural tendencies in play in New England at the time. Christine Leigh Heyrman of the University of Delaware addresses the patriarchal environment of nineteenth century New England, as dictated by religious and cultural tendencies, in her article entitled *Religion, Women, and the Family in America*. In reflecting upon a book by Edmund Morgan, Heyrman writes, "In his view, early New England families embodied the broader Puritan emphasis on hierarchy and order, but they also reflected the values that the Puritans placed on consent and reciprocity." Later in the essay she comments upon another paper and more directly addresses the issue being discussed here:

In the same year (1970), Philip Greven published *Four Generations*, the first of his two important studies on religion and the early American family. In this community study of Andover, Massachusetts, Greven portrays New England fathers as patriarchs who, by dint of their longevity and the leverage of land legacies, held enormous influence over even their adult children.

As Heyrman suggests, New England culture during the childhood of Morgan was essentially patriarchal, ergo the assumption that Morgan would have assumed a patriarchal tendency to be a natural and perhaps essential fact of life seems obvious. Indeed there seems to be little evidence that he would adopt any other model.

In conclusion, the banking environment of the late nineteenth and early twentieth century, JSM's personality, and the New England environment in which Morgan was raised were the three factors that caused him to develop a patriarchal tendency. This tendency drastically influenced his interaction with the community and pushed him to undertake acts of philanthropy both individually and in a broader societal sense.

A Strong Self-Confidence Emerges

While both a desire for order and a patriarchal disposition molded the actions of Morgan, a herculean self-confidence in matters of business also influenced his decisions and the courses he would pursue. For instance, Morgan's assuredness in his own ability and his confidence in his understanding of the economic environment would push him to action during the Panic of 1907, and this same self-confidence would be the mortar by which U.S. Steel and the International Mercantile Marine would be constructed. On this issue of self-confidence Jean Strouse in her biography of Morgan writes:

Asked why he had merged a group of railroads or bought a controlling interest in an insurance company, he said, "I thought it was the right thing to do"—at once shutting out inquisitors, displaying Olympian self-assurance, and telling the partial (in both senses of the word) truth. He was, as Henry Adams said of Theodore Roosevelt, pure act. (xiii)

Indeed, this was the Morgan way—to act with few words and scant explanation. If he ever doubted himself in economic matters, he would never allow the public to see his own irresolution. In general, this self-assurance would serve as a foundation for his character throughout his entire life, and this tendency, as with the others, would be influenced by the events and circumstances of his youth.

William Pitt, Earl of Chatham, in a speech to the English House of Commons on January 14, 1766 would say, "Confidence is a plant of slow growth in an aged bosom" (Gee 94). Inherent in Pitt's speech is the fact that self-confidence is a function of the individual's past experiences. Consequently, Morgan's self-assurance later in his career was naturally a result of his own earlier success. Indeed emphasizing this point, when once asked about his confidence regarding the competitiveness of his prices in some recent business transaction, Morgan responded, "We believe we pretty much regulate prices and are the principal controllers of the market" (Quoted in Strouse 50). Here his resoluteness was unwavering. He did not hesitate because he *did* regulate prices and he *did* control the market. By

this time he was so economically influential that the success he had experienced in his career was enough to justify his confidence. However while his self-confidence in his later life is easily understood, Morgan demonstrated a similar self-assurance even in his youth. In regard to this early self-confidence an explanation cannot singularly rely on previous business success, for he had not yet begun his career. Indeed, this early self-assurance is a result of other, more complicated issues.

Before addressing the events which led to Morgan's possession of this quality, a crucial point must be made. Self-confidence does not indicate unwavering faith that events will result in a positive outcome, rather it suggests a faith in one's own abilities and powers; *absolute* self-confidence does not mean a total lack of fear but rather a total lack of fear regarding any shortcomings in one's own capacities. This conclusion is critical, for the point has already been made that Morgan had a real and cumbersome fear of the uncertain. This fear of uncertainty by itself may seem to suggest that he lacked self-confidence, but his dread related to fear of loss of control and in no way reflected doubt regarding his abilities. In general, his anxiety centered on a concern that circumstances and events would present themselves in a way and place such that he would not be able to act. Morgan feared events which could not be acted upon; he did not fear the potency of his own actions. With this established, in claiming that Morgan was a self-assured individual I do not contradict the claims made earlier regarding Morgan's fears or disorder and loss of control.

Perhaps the aspect of Morgan's early life which most influenced the development of this self-assurance was his education. In rural nineteenth century America, the educational system was not fully developed; public education was for the most part localized and often considered to be of secondary importance. Morgan, however, was exposed to an education curriculum which would match in length and rigor the studies of any modern post-secondary student. He began his formal education at the age of seven and over the following years would attend various New England boarding schools—studying Latin, the classics, and mathematics along the way. Included in these schools was Boston English, a

boarding school that specialized in mathematics and was meant to prepare young boys for a career in commercial trade. Here Morgan would complete basic studies in Interest Theory—the study of the time value of money; a concept which would prove indispensable to him in the coming years.

After secondary school, Morgan attended Bellerive, a small private university in Switzerland, where he became fluent in French. His professional career required proficiency in German (a common business language of the day) and a sharpening of his mathematical skills. Consequently, the decision was made that Morgan should continue his post-secondary education and attend the University of Göttingen in Germany. Göttingen was a prestigious school and “was celebrated for its courses in mathematics and science” (Hoyt 84). Indeed if the notoriety of the University’s alumni is any indication of its quality, then the school was extremely prestigious. For instance, two of the most famous mathematician in history, Carl Guass and Bernhard Riemann, attended the school. The famous physicists Max Born, Max Planck, and J.R. Oppenheimer were also alumni. In addition, other famous alumni with expertise outside of the realm of mathematics and physics included Heinrich Heine, the Brothers Grimm, and Otto von Bismarck. However, while the quality of the alumni may imply that the University excelled as a place of higher education that does not necessarily mean that Morgan took full advantage of this wonderful opportunity. However, evidence suggests that he did strive to learn at Göttingen. He excelled to such an extent at his studies that he was actually asked to continue on at the University. Hoyt describes this event in his biography of Morgan:

When summer came and the end of the term, Pierpont prepared to leave Göttingen forever.

His mathematics teacher, Professor Ullrich, suggested that he remain and that after another year he could receive an appointment as an assistant and instructor. Eventually, the professor said, Pierpont could possibly hold a chair of mathematics in such an institution as this university. This was high praise for a professor at Göttingen to lavish on a student, particularly an American student who had attended the university for so little time, but Professor Ullrich was convinced

that Pierpont would be throwing his life away if he returned to American and went into trade.

(87)

Morgan declined, but the offer illustrates his commitment and the degree to which he wanted to succeed in business. All considered, the quality of the education he received at Göttingen, in Switzerland, and his various American boarding schools exceeded in quality and rigor the education of all but the most established Americans of the day. This fact must have given Morgan much confidence in his knowledge and abilities.

Morgan's education, however, extended beyond the classroom. The Spanish poet and novelist George Santayana once wrote, "A child only educated at school is an uneducated child" (McLellan 31). JSM surely would have agreed with Santayana, and as a result he ensured that his son also received a practical education. In order to provide for this education JSM, again as has been mentioned, took his son to stock meetings and assigned his son tasks around the office. Additionally, he required his son to keep tedious records of his spending so that he would have practical understanding of bank ledgers. He also encouraged his son to travel. He had sent the young Morgan to Switzerland and Germany to become fluent in French and German, two critical business languages of the day, but in addition to his studies he suggested that the young man explore the European continent and the surrounding areas. For instance, during one of the long summers at Göttingen JSM encouraged his son not to come home but to travel to St. Petersburg for the summer and "broaden his knowledge of European affairs" (Hoyt 86). The young Morgan failed to comply despite the strong urging of his father, but regardless by the age of twenty Morgan had seen more of the world than most individuals of that time would ever see. In short Morgan was being educated in the practicalities of the world. Like his extensive formal education, this practical experience was something few Americans could lay claim to and as a result this must have further bolstered his initial self-confidence.

Underlying the quality of Morgan's education was the station of the Morgan family, and this on its own must have instilled within young Morgan a sense of self-assurance. In America, the Morgan family was well-established; the family's ancestors had come to America from Wales in 1625. Within a few generations, they had risen to trade and had become respectable community leaders. Although by this time the Morgan family was well-established and economically secure, the Morgans were not financially affluent until the birth of Joseph Morgan, Pierpont Morgan's great-grandfather. Joseph Morgan entered service as a soldier in his early twenties. After his military service ended, he became a weaver in Springfield, Massachusetts. As economic prosperity came to the settlement he found himself with an excess of money and began purchasing land. Within a couple of years he would hold over 250 acres of land surrounding the settlement. His son, also named Joseph Morgan, began taking over the family affairs in 1807. This younger Morgan began purchasing more property around Springfield and started renting out the farms and homes he purchased to local planters and businessmen. Then in 1815, he purchased a stage-line and inn, which he would soon sell for a profit. With the money from the stage-line he would buy a hotel in Hartford. He continued purchasing land and soon owned over 100 hundred acres within the Hartford city limits. Morgan's grandfather continued to prosper as he became a stockholder in the Connecticut Steamboat Company and then a director of the Aetna Insurance Company. He invested in local banks and eventually organized the Connecticut River Bank and then the Farmers and Mechanics Bank. He also invested in a local railroad which turned out to be a wild success. All said, at his death Joseph Morgan left to his heirs an estate worth over a million dollars or about 200 million in current inflation adjusted dollars.

Joseph Morgan's son, Pierpont Morgan's father, was born on April 14, 1813. Junius Morgan, after completing school, went into banking. However, wild speculation on Wall Street led him to leave the banking industry and begin a partnership in the dry goods industry; the firm did well despite harsh economic times. Morgan continued in dry goods dissolving his original partnership in 1850 and joining,

as a partner, a firm that had done over two million dollars in business the year before. Soon after the formation of this new partnership JSM attended a dinner ceremony in England hosted by George Peabody. Peabody was a banker from Massachusetts who specialized in selling American securities in the then financial capital of the world, London. He was extremely successful and represented the leading American bank in England. Peabody, impressed with Junius Morgan and needing a young, attractive, and interesting partner to handle the social responsibilities associated with his business, asked JSM to become a junior partner in his firm. JSM eventually accepted and at the end of the term of his partnership at the dry goods firm moved to London to start work at Peabody & Company. Upon Peabody's retirement the elder Morgan would take over the firm. By JSM's death his banking house would be the largest American bank in the world and would rival all but the largest English banks. All said, on his death Junius Morgan left to his heirs an estate worth \$23 million dollars or over \$500 million in current inflation adjusted dollars.

As a consequence of the long established success of his forefathers, Morgan must have had extreme confidence in his own financial capacities. Economic insecurity was something that had never, in the memorable past, plagued the Morgan family, and indeed it is difficult to imagine the young Morgan ever worrying about financial matters. The achievements of his father and grandfather meant that he had the resources available to realize his ambitions, and in these successful men he had, while they were living, stores of valuable information relevant to the affairs of his everyday life. The availability of these resources undeniably bolstered the confidence of the young Morgan. As a consequence, both his educational experiences and his family background influenced the development of his self-assurance.

However, Morgan's very early business successes also influenced his self-assured nature. While the point has already been made that Morgan's confidence could not solely have been a function of earlier successes, a smattering of early professional achievements could have instilled within him some

hope and confidence regarding his own business acumen. For instance, in 1862 Morgan, in his early twenties and still working in New York as an American agent for his father and a clerk at the firm of Duncan & Sherman, was closely watching the American commodities markets, especially gold. On the economic environment in New York at this time Strouse in her book writes:

To help finance the enormously expensive war, Congress had passed a Legal Tender Act early in 1862 authorizing paper dollars called “greenbacks” to circulate as currency; the first modern fiat money issued by the U.S. government effectively put the North on a double monetary standard of paper and gold. There was no official link between the greenback dollar and gold, and neither currency traded at a fixed price. Still, gold was always worth more than paper... Paper dollars had no intrinsic value, and could be printed whenever the government needed more. As a result, the exchange rate between gold and greenbacks was highly sensitive to political events. If the Northern armies [during the American Civil War] did badly, investors bought gold in a “flight to quality,” driving up the price. When good news from the front brought hopes of peace, hoarders sold gold, and the price fell. (110)

Morgan understood this dynamic, and he and Edward Ketchum began to secretly purchase gold in 1863. The two businessmen eventually accumulated a holding of over \$2 million dollars in gold all purchased during periods of Union success—meaning the gold was purchased at a favorable price. With the two million dollars in gold in the vault the two men waited for bad news from the front, and when this unfortunate information arrived they shipped more than half of their holdings to England. Across the Atlantic the gold could then be sold at value while back in New York the combination of the bad war news and the shortage, caused by removing over a million dollars in gold from the American economy, caused prices to soar. With gold values artificially inflated the two speculators sold their remaining supply at exorbitant prices. Morgan and Ketchum had corned the market and in the process made over \$130,000. Such actions as these, while today highly illegal, were considered acceptable business

practices in the nineteenth century. Moreover, the success of this enterprise, entirely constructed and implemented by Morgan and his friend Ketchum, must have further assured the young man of his own financial ability.

The 1862 gold speculation was not, however, Morgan's only business success. While his role in New York was officially to learn bookkeeping and the banking trade at Duncan & Sherman, he was also conducting business for his father and being sufficiently compensated for his efforts. According to Strouse:

In business he was flourishing—conducting joint-account operations with his father's firm and, on his own, issuing short-term loans, trading foreign exchange, brokering securities, and financing commodity trades. His share of the net profits at J.P. Morgan & Company rose from \$30,000 in 1862 to \$58,000 in 1863. (109)

Indeed Morgan was doing exceedingly well for a young man his age, especially during a time of relative economic hardship, and again this early success would play a part in shaping Morgan's quality of extreme self-confidence. All said, Morgan's education, family history of economic success, and to some extent his early success in business instilled within him the quality of self-confidence even at a very early age.

However, while Morgan exercised absolute confidence in the matters of business and finance, his self-confidence did not extend into other facets of his life. Perhaps the best example to demonstrate the manner in which his self-assurance was restricted to matters of finance is to consider Morgan's public shyness. Perhaps the most illustrative example of this introverted tendency comes from his experience with the Pujo Committee. In general, the aim of this congressional committee was to investigate the accumulation of wealth by the "money-trust," a small group of the nation's leading financial institutions; Morgan's bank was among those institutions being investigated and questioned.

Vincent P. Carosso offers a clear and concise description of the purpose and aim of the Pujo Committee in his book The Morgans: Private International Bankers, 1854-1913.

In April, pressed by Bryan Democrats, the House voted a second resolution authorizing a more comprehensive probe into alleged financial abuses of the Wall Street "money power" . . .

Hearings began in mid-May 1912, were adjourned six weeks later to prevent the proceedings from becoming involved in the heated presidential campaign, and were resumed in early December. The inquiry covered a broad range of subjects, among them the methods bankers used to finance large railroad and industrial properties, the influence that firms like J.P. Morgan & Co. exercised over their corporate clients, and the relationships that existed between issuing houses, their syndicate associates, and the banks and trust companies with which they were affiliated. (627)

In other words, this congressional hearing had been called to investigate the legitimacy of the large-scale operations of the financial world and to determine the extent to which banking and investment institutions could be regulated under anti-trust regulations. Furthermore, as the leading banker of the time Morgan was under close scrutiny; a truth which is demonstrated by the fact that Morgan and several Morgan partners were called to testify during the hearing.

While under oath Morgan would demonstrate a bashfulness, which for the world's leading financial giant, would seem uncharacteristic. In illustration of this timidity Strouse writes, "A quick change would pass over his face; he would shrink visibly, and become again the man he has been so long, a hater of publicity and disclosure" (18). Some suggest that this timidity was a consequence of some sensation of regret regarding the actions which were now being scrutinized by the Pujo Committee. However, such a conjecture seems unlikely, for Morgan was not ashamed of his actions, but rather was open to the idea of explaining himself to the committee. In fact, before his testimony Morgan told his friend Bishop William Lawrence, "I do not mind a fair hearing. I would like to tell them

all I know, and I will tell them everything, if they will give me chance. What I dread is that they will ask me questions to which I cannot give full answers and that people will not understand. I want a chance to tell the whole and let the people judge" (Quoted in Carosso 626). This desire to provide an explanation was in itself out of character for a man who "on the mantel in his private study...kept a white enamel plaque that read, in blue Provencal script: *Pense moul, Parle peu, Ecris rien* (Think a lot, Say little, Write nothing)" (Strouse xiii). Perhaps, Morgan now at the end of his career and having already achieved the major feats of his life was seeking to disclose his actions to humanity. However regardless of the motivation underlying this desire for explanation, it seems highly unlikely that Morgan's bashfulness at the Pujo Committee was a consequence of shame or regret.

A more likely explanation is that Morgan's timidity was a reverberation of his own fear and self-doubt regarding his ability to appear and express himself in a public setting which was far removed from the financial world. The reasons underlying this self-doubt are two-fold. First, Morgan did not have the skill of verbalizing his thought pattern. His words were not elaborate nor did they possess any sense of narrative flow. Jean Strouse would go as far as to say, "As his partners and close friends knew, his intelligence was not verbal or analytical but perceptual and concrete: it dealt in numbers, objects, and action" (Strouse 20). The other motif fundamental to this self-doubt was Morgan's appearance. Morgan had inherited from his mother Rosacea which in his fifties came increasingly severe. Eventually becoming concentrated in his nasal cavity the Rosacea developed into Rhinophyma which enlarged his nose, causing it to become incessantly enflamed, and resulted in the development of pits and pustules. In face-to-face encounters, Morgan used his deformed nose to his advantage; intimidated by his deformity people would seldom be able to meet his glance. As a consequence of this threatening visage and his sheer economic might people would simply shrink in his presence. Strouse addresses this topic when she writes:

It was hard not to stare at the elder Morgan because of his rhinophyma—excess growth of sebaceous tissue—that deformed his nose. No one stared for long. Edward Steinchen, who had taken the old man’s photograph a few years earlier, said that meeting his gaze was like looking into the lights of an oncoming express train. (1)

As this citation suggests, Morgan found his affliction, coupled with an angry glare, to be a useful tool in the operations of his day-to-day life, but in public his nose became simply a malformation and an object of ridicule. Moreover, for all of his life Morgan had been particularly concerned about his appearance. In his teenage years he was constantly seeking cures for his acne, as well as going to considerable lengths to dress fashionably. In business the usefulness of his Rhinophyma in some sense compensated for the wounds the condition inflicted upon his vanity. However, in public, where Morgan was more of a man and less of a myth, the usefulness of the disease was lost. This must have been particularly true during the Pujo Hearing, for during this congressional investigation Morgan was certainly not a myth and, in fact, even was more of a villain than a man. Expanding upon her description cited earlier, Strouse describes the sheepishness Morgan displayed during his testimony.

A quick change would pass over his face; he would shrink visibly, and become again the man he has been so long, a hater of publicity and self-disclosure. Nothing more interesting could be imagined than his constant shift of personality, from the great power in finance, dominating, direct, and courageous, to the man of artistic tastes and retired habit, shrinking before the faces of strangers. (12)

From this description it seems likely that Morgan’s embarrassment regarding his countenance was a significant factor influencing his public shyness. Indeed in reading Strouse’s account, it is not difficult to imagine Morgan suddenly becoming aware of the exposure of his nasal malformations to the mass of individuals around him and then shrinking in dismay. Without a doubt Morgan’s Rhinophyma played a significant role in him seeming timid during the Pujo hearing. All considered, this example demonstrates

that Morgan's self-confidence only existed in regard to matters of business, and in fact in other matters he could be overwhelmed by fear and doubt.

In summary, the Morgan attribute of extreme self-confidence in all matters of business developed at a very young age. While later in his life this self-assurance would be perpetuated by his own business success, during his youth his self-confidence was a consequence of his excellent education and the tradition of financial success within the Morgan family. However, Morgan's self-assurance was not all-encompassing. In fact, this confidence in his ability only extended to matters involving business and finance. In other realms, Morgan lacked such confidence and at times exhibited tendencies characteristic of fear and self-doubt. Such an area in which he lacked faith in his own abilities was in matters regarding public appearances. In this realm, his deficient verbal skills and sensitivity to the deformity of his nose resulted in fear and an extreme lack of confidence.

With this final point being documented, the manner in which the events of Morgan's early years shaped his character and led to the development of his desire for control, his patriarchal tendency, and his extreme self-confidence has been established. All said, these characteristics were built on and reinforced by undesirable circumstances such as the death of Morgan's first wife during their honeymoon, early illnesses, a controlling father, and depressed mother. All of which molded the development of J.P. Morgan, the Captain of American industry.

The Mature Morgan

Having described the manner in which the events of his youth influenced the growth and formation of young Morgan, the manner in which these characteristics manifested or influenced the decisions of his later life should be considered. Benjamin Disraeli, Earl of Beaconsfield, in Coningsby separates manhood from youth and old-age, and moreover he classifies manhood as life's primary

struggle. If such is the case, then a complete understanding of Morgan's life requires analysis of not only his youth but also the years in which he was faced by life's primary struggle. Therefore, in order to better understand Morgan's true nature, we shall now examine his later life and describe the manner in which the personality traits he developed as a boy influenced his actions and decisions as an adult.

In his adult life Morgan surpassed in size and prestige every banker that had ever lived. He was involved in railroad consolidation, moved into the manufacturing realm, and was the organizer behind US Steel. He also had major shipping interests and was involved in insurance and many other financial entities outside of the banking system. Outside of the business realm he was also active. Like many of the industrial barons of the time Morgan was an art collector on a grand scale. However unlike many of his peers, he collected carefully and went to considerable effort to find authentic work. At his death, Morgan's collection was not the largest but by many accounts it was America's finest private collection. He was also an adamant yachtsman; his luxury boat the Corsair and its predecessor, Corsair II, were among the finest yachts in the world. In addition to all of these things, Morgan was constantly involved in the workings of his church both on a local and national level. The array of Morgan's personal interests is enormous, and as a result a thorough analysis of Morgan's later life would be an exercise in diversity. However, for the purpose of this paper we will touch upon only three significant events which occurred during Morgan's adulthood: his railroad consolidations, the Panic of 1907, and finally the formation of US Steel.

Morgan and the Railroad Consolidation

Morgan's success in the railroad industry starts just after the American Civil War. After the conclusion of this conflict, the United States Congress passed legislation granting tracts of public land to railroads. This governmental decree ensured the accessibility of land to developers and instilled within

foreign investors confidence regarding the future success of the American railway industry. All considered, by the end of the 1860s the railway industry was nearly the only American private sector in which foreign investors felt comfortable enough to invest. As a result, when Morgan began his career railroads were the place for an American financier with European connections to make an enormous profit.

Morgan's large-scale involvement in the railway industry would for the most part begin in the last few years of the 1870s. However there was one significant event which occurred earlier; in the opening years of the 1870s the railway tycoon Cornelius Vanderbilt had passed away and left to his son, William H. Vanderbilt, a railroad empire in the form of the New York Central line. The elder Vanderbilt, however, had built the railway on lies and deceit and, moreover, was publicly hated for his lack of ethics. Corey describes the manner in which Cornelius expanded the rail system and also mentions the public's opinion of the line in his book The House of Morgan: A Social Biography of the Masters of Money.

Cornelius Vanderbilt had done an important constructive job of railway consolidation, New York Central became one of the most efficient systems in the country; but in his onward sweep to empire the old Commodore had corrupted legislatures, ruthlessly crushed competition and provoked enormous public antagonisms. (139)

As Corey goes on to state, William H. Vanderbilt inherited from his father this public enmity, and, as the public was continually pressuring government officials to punish Vanderbilt, this enmity implied that the Vanderbilt line was always dealing with the threat of heavy taxation and governmental fines. As a consequence, the younger Vanderbilt decided that it was within his best interest to decrease his eighty-nine percent ownership of the line by selling off a significant portion of his stock (Corey 140).

The sale that Vanderbilt desired, however, was not something that was easily executed. Vanderbilt could not just dump his excess shares onto the market, for such an action would cause the stock price to collapse. If such an activity was undertaken, Vanderbilt would not be selling New York

Central so much as he would be giving it away. On the other hand, he could sell his shares slowly; in which case he would be able to obtain a fair price but he would also remain subject to public denunciation until the point in which he could sell off an adequate portion of his holdings. Neither solution was attractive; what Vanderbilt really needed was to find buyers who understood the situation and could purchase the shares in bulk, quietly. Morgan was the perfect man for the job, for he was a respectable banker who could be trusted and, more critically, he had strong European connections.

Morgan eventually accepted the task and “the Morgan bank quietly organized an international syndicate to buy 150,000 shares of Vanderbilt’s stock at \$120 per share, with an option on another 100,000 within two months” (Strouse 197). For Morgan the New York Central deal proved to be extremely lucrative, producing a profit of around \$3 million for the syndicate. Moreover, the Vanderbilt deal put Morgan in the national spotlight for the first time. New York Central was an important step in Morgan’s career, but perhaps most interesting were the conditions the banker imposed upon Vanderbilt. “[Morgan] insisted, as a condition of the stock sale, that his House receive representation on Central’s board of directors—which would have infuriated the Commodore. But Vanderbilt yielded, reluctantly” (Corey 141). Morgan justified the demand by claiming that in brokering such a large quantity of Central stock the Morgan bank was essentially putting its good name behind Vanderbilt’s company, and in order to ensure the reputability of the railway and uphold the bank’s own reputation, representation on the Central’s board of directors was necessary. In many regards the claim was ridiculous, he was asking for a position of control in a successful railway just for brokering the line’s stock. However, this was the Morgan way of operation and to him such a demand made perfect sense.

Corey suggests that underlying Morgan’s demand was an awareness regarding “the demoralization prevailing among the railroads, depressing investment values and... widespread discontent” (Corey 142). The railway industry in post-Civil War America was indeed bound for trouble. The profusion of foreign capital and lack of supervision by these distant investors made the railway

industry a speculator's dream. Moreover, these conditions attracted sinister individuals (con artists) who would pay off legislatures to gain government land grants and then use these grants as the foundation for new firms. They would then hold public stock offerings and sell stock to investors enticed by the government promise of land; afterwards they would take the money and disappear—without ever laying a single track. Others would build parallel lines and force the existing line to either buy them out or enter into a perpetual price war. On the dishonest practices of railway lines Charles Francis Adams, the President of the Union Pacific Railroad, would say in 1888:

Stockholders are complaining; directors are bewildered; bankers are frightened... The railroad system, especially in regions west of Chicago, is to-day managed on principles which must inevitably lead to financial disaster... The dishonest methods of rate-cutting, the secret system of rebates, the indirect and hidden payments made to influence the course of traffic resorted to or devised in the last two years are unprecedented in the whole bad record of the past... There is an utter disregard of fundamental ideals of truth, fair play and fair dealing. (Quoted in Corey 143)

Morgan was certainly aware of this environment lacking in both “fair play and fair dealing” when he began business with Vanderbilt, and certainly the condition of the industry was at least partially why Morgan imposed his conditions upon New York Central's owner.

However, he also had other reasons. This was a huge opportunity for Morgan and his bank, and if he could complete this New York Central deal successfully he could elevate the prestige of his firm significantly. This was an uncommon and extremely important opportunity, but as with most great opportunities, Morgan had much at risk. Uncertainty surrounded the deal; he could not be sure that he would be able to find a buyer. If he was unable to find interested parties immediately he would have to sell the stock in pieces over time, and if this occurred, he could not be sure of the future stock price. Finally, even if he was able to sell the shares and make a profit, he would not be able to ensure that in a

few years the company would still be in operation. As the stock's broker, his customers in their unhappiness could blame him for their loss; such an event while seeming ridiculous could possibly destroy his bank and his career. Morgan saw uncertainty everywhere and would have to take control of the situation if he was to become involved. Fairly early in his career with much at risk, control was the only manner in which he could protect himself against significant loss. Hence, at the end of the day, it led him to impose extremely controlling conditions upon Vanderbilt.

Morgan's next railway dealing came in 1884 and involved four different railway lines. The first of these roads was the West Shore, a line that ran parallel to Vanderbilt's New York Central and was meant to be nothing more than a dummy line that Vanderbilt would have to buy out at an exorbitantly high price. Vanderbilt, however, having been blackmailed before would not meet the demands of the opposing track and instead chose to commence a price war. The competition between the two tracks would result in suffering for both lines, but the Central was the stronger of the two and by 1884 the West Shore was in serious financial straits. Here Morgan became involved and began reorganizing the ailing line.

The success of Morgan's West Shore reorganization, according to contemporary opinion, "was much greater than anticipated." It was drastic, the bondholders being offered \$25,000,000 of 4 per cent bonds for their \$50,000,000 of 5 per cent bonds... Two shares of old West Shore stock were exchanged for one in the new company and assessed \$5. (Corey 149)

Morgan slashed expenses and transformed the West Shore into a well-oiled, competitive mechanism. However, he understood the underlying purpose of the line and realized that two separate but parallel railways could not exist in upstate New York.

With this realization, he asked Vanderbilt to purchase the West Shore line, but Vanderbilt and his New York Central would not cooperate. The Central owner felt only animosity towards the line that had been conceived for the sole purpose of extortion, and as a result he decided to continue his price

war. Stalemated by the stubborn Vanderbilt, Morgan turned his attention to another line. "In 1883 a syndicate that included Vanderbilt, the Rockefeller brothers, and Andrew Carnegie had begun building a line called the South Pennsylvania" (Strouse 248). The South Pennsylvania was a parallel line to the Pennsylvania Railroad, and like the West Shore had been built to put pressure on the larger, more established freight line. However, the South Pennsylvania was in financial straits and Vanderbilt and associates needed to reorganize before their investment collapsed. Morgan would assist, but before he did he demanded a conference; he organized a meeting between the heads of the New York Central and Pennsylvania Railroad aboard his yacht and listened to both parties. Vanderbilt desired nothing more than to sell his South Pennsylvania road but wanted nothing to do with the West Shore which he was still adamant about destroying. Morgan proposed a deal—the Pennsylvania Railway would purchase the South Pennsylvania from Vanderbilt and Vanderbilt would in turn purchase the West Shore, which it turns out had been financed by the Pennsylvania Railway.

Vanderbilt would eventually accept the swap. The Pennsylvania would purchase the parallel South Pennsylvania and Vanderbilt would purchase the West Shore, thus both lines would cease the unnecessary price wars in which they were engaged and both would be able to enjoy a more financially secure environment. Morgan had brought peace to the self-destructive lines through mild coercion and appeal to the common interest of both parties. In his text, Corey elaborates on the methods used by Morgan during the New York Central/Pennsylvania struggle.

Opposition seldom frightened Morgan, however, simply nerving him for the struggle—merciless, domineering, bigger than the men who disputed his power. Although his proposals were usually peaceful compromises in the interest of all concerned, emphasized by his insisting on the community of interest of destructive competition, they often met the opposition of men accustomed to other manners, men who resented the Morgan overlordship accompanying the community-of-interest proposal and whose opposition had to be forcibly overcome. (151)

Morgan's actions during the reorganization of these two lines were indeed a testament both to his desire for order and his patriarchal tendency. In taking control of the West Shore during the reorganization process, he continued the trend he had started with the New York Central. Moreover, in exercising both his direct power over the West Shore and his influence over the Pennsylvania, he acted in a manner so as to guide both lines to the most beneficial outcome. Morgan was a mediator looking after the interest of both lines; in this manner, the conflict regarding the two parallel lines also demonstrates his patriarchal tendency, his fatherly nature.

Morgan's next foray into the railroad industry came just after the conclusion of his business with New York Central and the Pennsylvania Railway. The Philadelphia & Reading had invested significant sums in the South Pennsylvania in order to weaken the Pennsylvania, one of the Reading's primary competitors. In addition, the line had spent large sums of money constructing terminals which would connect the existing Reading line to the new South Pennsylvania track. However, when the South Pennsylvania was purchased by the Pennsylvania these terminals became useless. This, combined with other financial difficulties, set the Reading on a path of deterioration.

Confronted by such economic conditions Reading's "president, Franklin B. Gowen, asked J.S. Morgan & Co to reorganize the company" (Strouse 251). Morgan accepted the challenge, but as with the other railroads he demanded control before beginning. In order to gain this command he purchased "\$1 million of Reading general mortgage bonds to assure control" (Strouse 151). He then proceeded to lower the Reading's costs by replacing high rate debt with new loans. He also improved relations and formed new alliances with the Reading's primary customers—anthracite mines in the Appalachian Mountain region. Morgan's actions restored the Reading to health. However, Morgan, believing the freight line to be managed by buccaneers and incompetent businessmen, for the first time refused to surrender his influence over the railway. Instead, he placed control of the Reading in the hands of a voting trust—"that is, a group of trustees exercising all the voting power of the stockholders" (Corey

154). This trust would exercise complete authority over the reorganized Reading for a period of five years and would be headed by Morgan and other Morgan partners. The formation of the voting trust would ensure the success of the Reading over the next half decade and also illustrate Morgan's belief that the railway industry was too immature to manage itself. All said, Morgan's involvement with the Reading demonstrate, as with his involvement in earlier railway transactions, his desire for control and order.

Morgan would continue his process of railroad reorganization for years to come, working with a number of different freight lines. For instance, in 1888 Morgan reorganized the Chesapeake & Ohio Railroad. As with the Reading, Morgan instituted a five year voting trust which would ensure the financial success of the institution for the next half decade. Another line which Morgan reorganized was the Baltimore & Ohio. However, the Baltimore proved to be more difficult than many of the other railroads; the Baltimore had a reputation for being a cutthroat line that actively engaged in unfair practices. When the railway needed money, Morgan offered to raise the necessary capital under the condition that the line be put under a management of his choosing. The Baltimore directors accepted, Morgan raised the necessary funds, and Morgan-approved Samuel Spencer was elected president of the Baltimore. Within a year, however, the directors replaced Spencer with a man of their own liking. For years following, Morgan would work to reorganize the Baltimore, but he would never find the success he had with other railroads.

In general, Morgan's reorganizations were a lucrative enterprise. The commission his firm received usually ranged from just over a million dollars to nearly three million. Moreover, his actions significantly bolstered the reputation of the Morgan bank. He became known throughout the world for his involvement in the railroad industry, and his unique process of reorganization proved so successful that his methods were dubbed *Morganization*. This Morganization process has two very unique

characteristics which closely mirror Morgan's character. The first property of Morganization is direct control over the reorganized institution. Corey writes:

By a variety of means—the voting trust, stock purchase and interlocking directors—the House of Morgan retained control of reorganized railroads, originally to insure fulfillment of reorganization agreements and later as an expression of deliberate Morganization. (157)

As has already been discussed, Morgan's demand for control during the reorganization process reflected his personal desire for control and satisfied his early belief that in order to be successful he had to possess the ability to directly influence matters. The other characteristic of Morganization which Corey emphasizes is "consolidation of community of interest". He writes, "Morgan's reorganizations always lessened competition among the railroads either by direct consolidation or establishing harmonious relations on the basis of community interests" (Corey 157). Indeed this tendency reflected Morgan's patriarchal nature and his belief that his leadership would result in the best outcome for all parties. He reckoned that the railways were immature and infantile and that only under his guidance could the best interests of everyone be served. Consequently, analysis of Morgan's involvement in the railway industry demonstrates that many of the tendencies he developed during his youth did indeed influence him during his later life.

Morgan and the Formation of US Steel

In addition to his involvement in the railroads, Pierpont Morgan's leadership in the formation of US Steel also illustrates the character he developed as a young man. The story behind US Steel begins during the later part of the 1890s. By this time the American railway system was sufficiently developed to allow for the formation of large scale-industrial plants. Already John D. Rockefeller was using extensive railway systems to transport the vast quantities of crude that his Standard Oil Company was

producing, and others like Andrew Carnegie were doing the same. The railways were making the formation of huge corporations possible, and also these same railways were providing the business models for the new developing companies. Morganization had shown that railway consolidation could slash expenses and maximize profits, and in turn, the railway industry was teaching manufacturers that the most beneficial course of action was to consolidate and create "communities of interest." The result was the outbreak of a consolidation or trust movement; entrepreneurs all over the country were merging manufacturers and natural resource firms to create huge economies of scale. Among these entrepreneurs was John W. Gates.

Gates had started his life as a barbed wire salesman and eventually formed his own wire manufacturing company known as Southern Wire. By the 1890s Gates had expanded his company and created an American wire trust. Then in 1895 he became President of Illinois Steel, the largest steel manufacturing organization west of Pittsburg. Gates' life was an epitome of the American dream; he had risen from a barbed wire salesman to one of the leading industrialists in the United States. Gates, however, over the years had developed a reputation for excessive gambling both in his business and personal life. In fact, one story claims that Gates "once bet \$1,000 on which of two raindrops would reach the bottom of a windowpane first" (Strouse 397). Gates was also prone to wage large sums on horse races and in poker tournaments. He early on won the nickname "Bet-A-Million" as a result of a huge wager made on a horse race.

In 1897, Gates wanting to merge the two industries he knew best (wire and steel) went to Morgan looking for financial backing. Morgan considered the offer but eventually refused, at least partially, because Gates was not the sort of man with whom he wanted to do business with. Rejected by Morgan, "Bet-A-Million" Gates turned to Elbert Gary, "a corporate merger expert and former county judge from Illinois who looked like 'a Methodist bishop—benign, suave, cordial, and earnest'" (Strouse 397). Gary subscribed to the Gates idea, and this time he took the concept to Morgan. The change of

characters made all the difference; appealing to Morgan's sense of order, Gary had detailed and carefully constructed plans for the new wire and steel trust. Moreover, Gary was rational and calm which, in Morgan's mind, sharply contrasted him from the chaotic happenstance that was "Bet-A-Million" Gates. Additionally, one other characteristic elevated Gary above Gates; Gary was an attractive individual, "suave" and sophisticated, and in the House of Morgan that could make all the difference. Newspapers of the time suggested that if angels were to come down to Earth and have children, the result would be a Morgan partner. Morgan filled his environment with beautiful things: artistic masterpieces, gorgeous yachts, splendid architecture, and charming business partners. The reasons for Morgan's preoccupation with beauty could be many. Perhaps, this obsession was simply a consequence of wealth or maybe it was more psychological. It may be that with his wealth Morgan could acquire any material object that he desired, but because of his Rhinophyma physical refinement and physical beauty always eluded him. As a consequence, perhaps corporal refinement mystified or hypnotized Morgan as a dangling carrot would entrance a horse. Regardless of the reasons, Gary's polished nature was probably one of the factors that influenced Morgan to accept the wire and steel consolidation plan.

Over the next couple of months, Gary and Morgan finalized plans for the creation of the new trust—to be called Federal Steel. Strouse in her biography describes which companies the new trust would be composed of, "In September they contracted to buy controlling interest in Illinois Steel, the Lorrain Steel Companies of Ohio and Pennsylvania, the Minnesota Iron Company (the second largest producer in the northern ore country), and two railroads" (Strouse 397). However as Strouse later emphasizes, Federal Steel would not include Gates's wire trust, thus Gary and Morgan had engaged in a sort of industrial coup. Gates, as President of Illinois Steel, would not be removed from the consolidation completely, but his role would be minimized. In fact, upon inception of the new corporation the trust would be hailed as a Gary/Morgan brainchild—the public forgot completely about "Bet-a-Million" Gates. In total, Gates would make over half a million dollars selling his interest in Illinois

Steel to Federal, but when Gates requested the presidency of the new corporation he was rejected. Morgan planned on making Gary the chair of the new institution, but much to his dismay Gary was unsure about taking such a position. Morgan added, "You can select the directors, name the executive committee, choose your officers and fix your salary" (Quoted in Strouse 398). On these terms the lawyer and former judge accepted. All considered, the formation of Federal Steel demonstrates the fundamental confidence Morgan had in his own ability. He had been involved in railroad reorganization for years and had financed a few industrial projects, but he had never been heavily involved in any form of manufacturing. The fact that Morgan was willing to take on such a large project in an industry he knew almost nothing about demonstrates the confidence he had in his own financial and managerial abilities.

Once Gary had successfully organized Federal Steel, he began to consolidate other manufacturing firms. With Morgan's financial backing he formed National Tube and American Bridge. Together these two financial institutions encompassed 39 companies and were capitalized at over \$140 million (Strouse 400). Together the three Morgan sponsored organizations (Federal, National Tube, and American Bridge) formed the second most powerful industrial organization in the United States, next only to Carnegie and his massive, privately owned Carnegie Steel. Morgan, however, soon realized that with heavy demand for outside development and opportunity for huge profits, the industrial manufacturing industry was bound to follow the same chaotic path of cutthroat competition and unfair practices that the railway industry had taken decades before. As Corey writes, "In trying to become more integrated and independent [the different firms] threatened each other's interests and particularly the interests of Carnegie Steel Co. The prevailing equilibrium was unsatisfactory, but to disturb it meant unleashing ferocious and disastrous competitive war" (Corey 263). Indeed, Gary was already beginning to encounter bitter price wars with Carnegie, and Morgan knew that something had to be done or

Carnegie Steel and the combination of National Tube, American Bridge, and Federal Steel would destroy each other.

In the beginning of the twentieth century, Elbert Gary, still on his consolidation tandem, would suggest a solution to the competition problem—the Federal combination would buy out Carnegie Steel and create the largest economy of scale that the world had ever seen. The answer was fundamentally simple, though Morgan did not perceive the action as being feasible. Carnegie was stubborn, and Morgan did not believe that he would be willing to sell at any price. Consequently when Gary approached Morgan about an acquisition of Carnegie's interest, he simply replied, "I would not think of it. I don't believe I could raise the money" (Strouse 400). However, Morgan would soon realize that merger with Carnegie Steel was the only solution to the steel competition issue.

In December of 1900, Morgan attended a dinner at the University Club in New York honoring Charles Schwab, the President of Carnegie Steel. At the dinner Schwab spoke on American steel and the issues of overaggressive competition. Schwab pointed out that the ruthless price wars were undermining the profits of all American steel producers and that through alliances and other coalitions, manufacturers would be able to produce cheaper steel faster than ever before. Moreover, he suggested that if agreements could be reached with railways, steel could then be transported to consumers more rapidly than ever before thought possible. Schwab sounded like the Morgan from the last century that had combined and reorganized America's railroads in order to hedge against unnecessary competition, prevent buccaneering, and create ever larger economies of scale. Schwab was speaking Morgan's language; he argued that cooperation between steel firms would not only secure the position of each individual firm, but would also benefit the overall economy of the United States. Strouse paraphrases Schwab's conclusion as follows:

If this kind of consolidation could be achieved, concluded Schwab, the premier enterprise driving the American economy would continue to grow, ensuring stable markets and ample

profits for producers, lower prices for buyers, and pride of place in the modern world for the United States. (401)

Schwab's appeal to the national interest sparked Morgan's patriarchal tendency, and his call for a reduction in competition appeased Morgan's desire for order. With that speech the Morgan outlook changed; as the Morgan partner Bob Bacon would recount, "[Morgan was] very much impressed by the new light that had been thrown on the whole steel situation, its growth and possibilities, and for the first time he indicated to me that it seemed a possible thing to undertake the purchase of the Carnegie Company" (Quoted from Strouse 401).

Mesmerized by Schwab's lofty idea of a unified steel industry, Morgan decided to champion the cause. Immediately after Schwab's speech, he approached the Carnegie Steel president to ask the man at what price the company could be purchased. Schwab was unsure, but solemnly pledged that he would question Carnegie and swiftly communicate the answer. In order to ensure Carnegie was in a good mood, Schwab waited until their next golf outing, and then informed the steel magnate of Morgan's interest. The next day Carnegie named his price, and Schwab immediately traveled downtown to Morgan's office to divulge the number. Walking into Morgan's office Schwab handed a piece of paper to Morgan; who took one glance at the paper and immediately accepted the price. That afternoon Morgan drove "uptown, and settled the whole thing with Carnegie in precisely fifteen minutes" (Sinclair 125). At the end of the meeting, Morgan offered his best wishes and applauded the man in saying, "Mr. Carnegie, I want to congratulate you on becoming the richest man in the world" (Sinclair 126).

The Carnegie price was \$480 million dollars, which, just to provide some insight into the enormity of the sum, significantly surpassed the entire 1901 budget for all of the United States government. Carnegie Steel would form the backbone of a new American steel trust called US Steel, but Morgan was not yet done. The chairman of the Executive Committee for the new organization would be

Elbert Gary and with him would come Federal Steel, National Tube and American Bridge. Moreover, the president of the trust would be Charles Schwab who was asked by Morgan for a list of manufactures, mining firms, and transportation entities that US Steel would need to realize his 1900 University Club dream. Morgan received the list and organized the purchase of the entities Schwab was requesting.

In total, the new trust would be capitalized at \$1.4 billion making it the first billion dollar company and the largest economic organization up to that point. In a testament to its size Strouse writes:

The giant holding company would own steel mills, blast furnaces, coke ovens, ore mines, barges, steamships, thousands of acres of coke and coal land, and several railroads. It would control nearly half of America's steelmaking capacity, and produce more than half its total output—7 million tons a year. The \$1.4 billion figure was equivalent to 7 percent of the U.S. gross national product in 1901. A comparable percentage in the 1990s would come to roughly \$400 billion.

(404)

The colossal size of US Steel serves as a testament to Morgan's dedication to the idea of order over competitive chaos. Morgan, with this consolidation, was attempting with the steel industry what he had done years earlier for the railroads; he was trying to curve destructive competition and create a more stable environment. Thus, Morgan's actions with US Steel demonstrate his desire for order. In addition, he, believing that the consolidation would ensure "lower prices for buyers, and pride of place in the modern word for the United States," perceived US Steel to be a way in which to strengthen his nation. Again he was using his own resources and abilities to look after and protect the interest of the American people, thus demonstrating his patriarchal tendency. Finally, US Steel also helps to illustrate Morgan's confidence in his own ability. This consolidation would result in the formation of the largest corporation on the planet, and Morgan had the nerve to finance it. Indeed as with Federal, US Steel depicts his self-

confident nature. All established, US Steel was perhaps the crowning moment in Morgan's business career and a testament to the patriarchal, order driven man he had become.

Morgan and the Panic of 1907

While both the railways and the formation of US Steel were critical events in Morgan's business career, perhaps the most epitomizing event of his life was the Panic of 1907. In the beginning of that year the United States economy began to experience economic woes, but this financial melancholy was seemingly short lived. However, as summer approached economic concern began to reappear. Hoyt describes the economic scene of the time in his book The House of Morgan:

When Pierpont arrived in New York, however, life changed. He discovered that the nation was on the brink of serious economic difficulty. The years of 1905 and 1906 had been prosperous for business and particularly for the speculative business of Wall Street brokerage. Prosperity had achieved a new high and appeared secure. Earlier in 1907 there had been some minor economic illnesses at home and abroad but they had been quickly cured, it seemed. Now, stock and bond issues lay languidly, unsold, on a flaccid market. Pierpont went to Washington to consult with Treasury officials about the state of the market and the national exchequer. He was told that clouds were on the horizon, but no one seemed to know what to do about removing them. (280)

That autumn the economic storm began. Earlier in the year, Augustus Heinze had gained control of the Mercantile Trust Company and then proceeded to use the institution's assets to corner United Copper stock. Heinze began purchasing this stock with his bank's assets and continued to do this throughout the year. In early October the price of the stock began to skyrocket—increasing by over 61% in a single day. Heinze took this to mean that he had cornered the market; he thought that the price was soaring

because his tactics had severely restricted the supply of the stock. An important detail to understand is that on that October day Heinze possessed few actual United Copper stock certificates. Instead, he had legal contracts with individuals all over New York that promised sale of United Copper stock to Mercantile Trust Company at a specified price. In other words, Heinze had been locking in the price of United Copper stock but had not been purchasing the actual shares. These contracts were as good as having the stock themselves given Heinze had the cash to honor his side of the agreement. However, Heinze did not have the money, and, moreover, he had made a mistake. He had drastically underestimated the volume of United Copper stock on the market. He believed that many of the individuals he had contracted with were short sellers. These short-sellers were agreeing to sell to Mercantile Trust shares of United Copper they did not yet have; shares which they would acquire later, hopefully at a lower price than they had promised to sell at. If there was a large group of these short-sellers, as Heinze believed there was, then he would be able to use his cash on hand to buy up all of the real shares of United Copper. He could then sell his newly purchased shares back to short-sellers at an exorbitant price. Finally, the short-sellers, holding contracts with Heinze, would have to sell back these shares to Mercantile Trust at the contract specified price. If his plan worked, at the end of the day he would be left with all of the United Copper stock and perhaps a significant sums of money from the short-sellers.

Under this assumption, Heinze called in all of his contracts. Throughout the day, people came to the bank selling to Mercantile Trust the stock they were obligated to sell. As the day progressed sellers continued to have stock certificates. There were no short-sellers, and as a consequence Heinze didn't have enough cash available to honor all of his contracts. He had been counting on the money gained from the short-sellers to help him honor the actual contracts; the scheme had not worked and within two days the bank was out of money. The Mercantile Trust would collapse.

Singularly the collapse of Heinze's institution would not have been a significant ordeal, however during this collapse the Knickerbocker Trust would also be implicated in Heinze's scheme. As word spread that the Knickerbocker would also become insolvent, depositors began withdrawing all of their money from both banks. With the impending collapse of these two financial houses, a fatal flaw in New York law was soon realized. Both institutions had been chartered as trusts and not banks. Trusts under New York legislation were allowed to maintain much lower reserves, and these low levels of reserves put many of the trusts at risk of collapse. With the realization that trusts were not safeguarding investor's money, the public began to panic and the possibility of national financial ruin became apparent.

Here Morgan stepped in and organized a coalition of bankers and financiers that would shore up the fragile trust institutions. On his participation in the Panic of 1907, Hoyt writes, "Pierpont was to rise to his full grasp of public power in his seventy-first year, and to prove even the most skeptical that no matter by what lights he lived he was basically concerned with the national welfare and would do anything possible to further it" (279). Morgan's involvement in the Panic started on October 21, just a few days after he had returned from the American west coast. His first action was to rally a group of respectable and competent bankers; this party was responsible for examining the books of all the trust institutions and making decisions as to which could and should be saved. By this point, the financial crisis among the trust institutions was significantly severe that even Morgan and his coalition of bank compatriots did not have the resources available to completely halt the crisis. However, by saving those institutions which could be saved, Morgan and associates could limit the damage caused by the collapse of the trusts and therefore prevent the spread of the crisis into other areas of the American financial structure. Morgan's plan was to form an association of bankers and move money from strong institutions to shore-up the weak institutions.

As Morgan organized the group that he would use to end the crisis, word reached the public on the night of October 22 that a third institution, the Trust Company of America, was financial unsound. When Trust of America opened the next day, depositors came in droves to withdraw their savings. The banking house did not have sufficient funds on hand to satisfy the mass of depositors demanding full withdrawal of their savings; the institution would be insolvent by the end of the day unless the bank president, Oakleigh Thorne, could find more money within a matter of hours. Looking to Morgan for help, Thorne contacted Morgan and explained to him the situation. Morgan knowing that the firm was well-managed and financially sound declared, "This is the place to stop the trouble," and then swore to aid the ailing institution (Strouse 578). Morgan then wired First National Bank and National City Bank and put together an immediate loan of \$3 million to save Thorne and his company; he supervised as the cash was carried in lock-boxes and cash bags from his vault and that of the other two banks to the coffers of Thorne. By the time the money arrived, Trust of America's cash on hand had dropped to well under \$200,000. The loan made by the Morgan syndicate would keep the trust open through the day and save the institution from insolvency.

Morgan was keeping the financial institutions open, but by the end of the day he had a new problem. Depositors were withdrawing their money in mass from the trusts and stockpiling the cash in safety deposit boxes. Consequently, the money supply in New York was artificially shrinking, and in order to find cash the trust institutions were calling in loans, particularly loans made to short-sellers. With money being drained from Wall Street, this in turn caused a deflation of the stock market. Ron Chernow describes the situation in his book The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance.

Strapped for cash, the trusts called in margin loans from stock market speculators. The price of call money—that is, the interest rate on margin loans to buy stocks—zoomed to 150 percent.

Nevertheless, there remained a shortage of ready funds. Perkins called Hack, who was in

London: "At all times during the day there were frantic men and women in our offices, in every way giving evidence of the tremendous strain they were under." Pierpont was accosted by hundreds of distraught brokers who faced ruin and pleaded for help. Photographs of the Corner (Morgan's office) show dense throngs of men in derbies and dark coats, solidly massed along Wall Street in somber ranks. For these terrified men, Morgan emerged as the Redeemer, the one man who could save them. In a human wave, they surged right to the door of 23 Wall, where "the struggling mob fought their way on, all looking up at the window of J.P. Morgan & Co." (124)

By the 24th the stock market was ready to fall apart. Trust institutions were selling stock to bolster cash reserves, and individuals were selling their personal stock holdings out of fear of an economic depression.

There were sellers abound, but as a consequence of the deflated money supply, no one was able to make purchases. With sellers but not buyers, stock prices plummeted and the President of the New York Stock Exchange decided that the only way to save the American stock market from total annihilation was to close the Exchange. However, Morgan warned that an early close would cause widespread panic and only aggravate the situation. The only available option was to make money available for trading. Immediately Morgan contacted the New York bank presidents, and he threatened that if he did not receive \$25 million immediately the entire stock market would collapse. Within sixteen minutes he had the money, which was then made available to traders. Chernow describes the scene on the floor of the New York stock exchange as the availability of the \$25 million was announced.

Morgan then dispatched a team to the Stock Exchange floor to announce that call money would be available at as low as 10 percent. One team member, Amory Hodges, had his waistcoat torn off in the violent tumult. Then a blessed moment occurred in Morgan annals: as news of the

rescue circulated through the Exchange, Pierpont heard a mighty roar across the street. Looking up, he asked the cause: he was being given an ovation by the jubilant floor traders. (125)

The market was safe; Morgan had saved it from failure. The United States had avoided economic meltdown for at least the time being.

On the Monday of the following week Morgan was confronted by another grim predicament. European investors had been watching the sequence of events in New York and were now concerned about the city's solvency. As a consequence, New York had been unable to sell its municipal bonds abroad; the city now had over \$30 million in wages and expenses that needed to be paid immediately and no available cash. Morgan again contacted National City and First National and formed a collation. He then drafted a contract stating that J.P. Morgan & Co. and the two other banks would, for the time being, pay New York City salaries and honor New York City vouchers. The mayor, who was waiting in the Morgan library for Morgan's decision, then signed the contract; the Morgan collation again saved the day.

Despite everything that had occurred in the past week, Morgan still had one more problem that needed to be addressed. After speaking with the mayor of New York, Morgan was informed that the house of Moore and Schley, a prominent brokerage firm, was in serious financial straits. Moore and Schley had both, on their personal accounts and the accounts of their institution, been investing almost exclusively in Tennessee Coal and Iron stock. However, much of the stock purchased on behalf of the brokerage institution had been purchased on margin and the underlying financial security used to back these purchases was other shares of Tennessee Coal and Iron; in short, Moore and Schley were using Tennessee Coal and Iron stocks as security for loans, and then they were using those loans to buy more Tennessee Coal and Iron. The inevitable backlash came when a series of loans made to Moore and Schley totaling \$25,000,000 were called. The institution needed to repay the loans immediately or it would become insolvent and fail. However, the only assets available were the vast quantity of

Tennessee Coal and Iron shares in which the institution had been investing. Moore and Schley could liquidate the stock, but dumping such a huge volume on the market would cause the stock price to plummet by forty to fifty percent. At such a deflated price, Moore and Schley would not be able to repay the loans even if they sold every share.

Morgan was informed of the situation at Moore and Schley and realized that for several reasons the firm needed to be saved, if possible; the institution was among the largest of New York's brokerage firms, and the disintegration of such a significant institution would shatter already frail investor confidence. In addition, Tennessee Coal and Iron was an immense business and the company's stock was held by a significant number of other financial institutions. If Moore and Schley became insolvent, the shares held by the brokerage house would hit the market and devalue the price of the remaining stock. The resulting price deflation would weaken the positions of many other financial institutions and perhaps cause some of the weaker organizations to fail. In other words, Morgan was worried that a plunge in the price of Coal and Iron stock would, because it was a commonly held stock among financial institutions, result in a series of financial crashes. For these reasons Morgan was convinced that Moore and Schley needed to be saved. As a result, when his man, Thomas Joyce, returned from looking at the Moore and Schley ledgers and found that the institution could be saved, Morgan acted quickly.

Upon hearing Joyce's report Morgan again contacted Baker and Stillman from National City and First National and acquired pledges of \$6,000,000 from each. That day Morgan also approached the President of US Steel. The plan was for National City, First National, and Morgan's banks to buy from Moore and Schley, at a fair price, the entirety of their Tennessee Coal and Iron shares. The two men could then use the proceeds from this sale to honor their financial obligations and save the institution from insolvency. US Steel would purchase the shares (which constituted a controlling interest) from the three banks as soon as arrangements could be made. The scheme would solve the Moore and Schley problem, but the plan had a fundamental flaw. US Steel was already the largest steel producer in the

United States, and as a consequence there were already concerns that the government would eventually try to dissolve or break up the company in order to enforce anti-consolidation legislation. Consequently, Morgan and US Steel's President worried that increasing the size of US Steel through a Tennessee Coal and Iron buyout would only increase the probability that the corporation would come under antitrust scrutiny. Therefore, before the plan could be implemented, Morgan needed government reassurance that the merger would be considered legal. Eventually he did receive reassurance, and it came directly from the President of the United States. Hoyt explains the scene in his biography.

All that remained was to be certain that the federal government would not descend on the parties for violation of the antitrust laws. It was decided to try to find out as much as possible about this before taking action, and Judge Gary and Henry Frick of U.S. Steel were dispatched to Washington on the midnight train, to make every effort to see the President. Early on Monday morning the two industrialists did see President Roosevelt just after breakfast and when they explained to him what had happened and was happening and how they proposed to solve the problem, Roosevelt said he could see no objection at all. He suggested that the sooner it was done the better it would be for the nation, Gary reported. (305)

With Roosevelt's nod the Morgan plan could proceed, and Moore and Schley would be saved. With this final act Morgan would effectively end the panic; financial institutions still faced some economically challenging times ahead, but the looming threat of complete financial deterioration was gone. Morgan had saved the American system; this would be the most brilliant and heroic moment in his life.

All considered, Morgan's involvement in the 1907 Panic illustrates his most flattering characteristics at their finest. First, his actions exemplify a degree of humanitarianism which was not frequently associated with Morgan the yachtsman and exorbitant art collector. His deeds during this time period effectively demonstrate his willingness to put issues of national importance over his own

economic interests. This point is of particular importance for some have claimed that Morgan used the 1907 Panic to further his own interest and that his involvement was motivated solely by greed. However, such a proposition is absurd. Prior to the events of 1907 Morgan's bank was financially sound with abundant cash reserves, sound investments, and a prudent mix of liquid and long-term assets. In other words, Morgan's bank had assumed a very conservative stance and would be able to weather the harshest of storms; the only threat to the survival of Morgan's New York bank was total failure of the American economy. Moreover, Morgan's banking empire was an international organization and the New York branch was only a small part of a much larger system. Even if the entire American financial system were to fail, the Morgan bank would have survived. As a result, Morgan's actions in 1907 actually weakened his financial position. In general, the only thing that Morgan gained during the Panic was the acquisition of Tennessee Coal and Iron by US Steel. While Morgan was the banker and initial organizer of US Steel, the massive corporation was no longer in his hands; a strengthening of US Steel was not a Morgan gain. Moreover, in seeking Roosevelt's approval and thereby subjecting his actions to government approval Morgan demonstrates that he was acting to benefit the economy, not to financially advance US Steel. Hoyt also supports this position:

This latter consideration was to be given the most serious place in the scheme and reasoning of Pierpont Morgan by critics in later years, but the fact is that if Pierpont had been engaged in trying to create controls for himself in this crisis, there were a dozen ways in which he could have bettered himself—not the least of which might have been to do nothing except sell to protect his own interest. The narrow view was that Morgan acted in the Tennessee Coal and Iron crisis for selfish gain, but this argument does not stand up under scrutiny. No one could say that his scheme was planned in advance, because if there was any truth in what had been happening in these past three weeks it was that nothing was planned, and Pierpont had been rushing around like the boy at the Dutch dike, plugging one hole after another. (301)

As Hoyt states, Morgan during the crisis was nothing but reactionary. The economic times were too chaotic, too unpredictable to scheme and plot. Morgan was acting to save the American financial system; his agenda during the crisis was the national interest.

All established, Morgan's actions during the Heinze ordeal, the Knickerbocker and Trust of America scare, stock market panic, New York City shortfall, and the Tennessee Coal and Iron fiasco illustrate his patriarchal tendency. He was essentially taking the American financial system by the hand and guiding the bewildered entity through the catastrophic landscape of 1907. During the Panic, Morgan was a financial titan who all others, even the United States government, looked to for guidance and leadership, and without a doubt he rose to the occasion—formulating a plot and executing his own strategy brilliantly. Biographer Lewis Corey called the Panic of 1907 Morgan's "moment of supreme power" (Corey 338). Morgan, never a man for self-explanation or self-reflection, would not record the motivation underlying his actions in 1907, but it is almost certain that Morgan considered the Panic to be the most important moment of his life. Throughout his career he had been under the "sincere conviction that he was doing indispensable work for the American future" (Strouse 667). However, all of his major actions of in past had been consequences of his business operation, and therefore each had been accompanied by personal gain. While Morgan would never admit it, the beauty of all his previous actions had been mildly corrupted by the knowledge that they were not purely done for altruistic reasons. For instance, both his railway consolidation and the formation of US Steel had idealistically been undertaken for the good of the nation and its people, but they were also business operations. Each had been initiated by some business proposal, and each ended with a payment made to the Morgan bank; at the end of the day both the railway consolidations and US Steel had been business—business which had benefited the common good, but still business nonetheless. Of course in addition to Morgan's professional activities, he also engaged in numerous charitable activities. However while

these actions were motivated by purely humanitarian reasons, they were, for a man who had such monumental wealth, insignificant.

On the other hand, as Morgan's patriarchal nature reached its epitome in 1907 he found himself doing something truly beneficial for the community. Morgan's patriarchal tendency was a New England temperament based upon the idea of providership for one's family. Morgan, however, having studied the classics during his youth felt that this patriarchal tendency was more encompassing and involved a responsibility to the community. Society had provided him the opportunity to achieve great things, and as a consequence he had an obligation to society. This feeling was further reinforced by his religious beliefs which constantly remained him to provide for his fellow man. As a result, in the Panic of 1907 when "terrified men" looked to Morgan "as the Redeemer, the one man who could save them," his responsibility was clear. He would accept, without hesitation, his role as a man others looked to for guidance. When everything was complete he would consider his involvement to have surpassed any of his other actions, because in this instance he was not motivated in the slightest by personal gain or advancement of his own interests. With the railway reorganization and US Steel Morgan had always received compensation for his involvement. At the end of the Panic there was no paycheck waiting. Morgan's actions in 1907 were his gift to the community—his repayment for all that society had given him.

Morgan and Beauty

While the railway consolidations, the Panic of 1907, and the formation of US Steel portray the personality of Pierpont Morgan, an aspect of his life which is also important in understanding his character is his art collecting. Unlike his business involvements, his collecting does not directly reflect

his characteristics of desire for control, extreme self-confidence, and patriarchal nature. However, the motifs behind Morgan's love of art are highly dependent upon the events and circumstances of his childhood, and to understand this habit and its underlying causes will be to better understand Morgan. Morgan used art as an escape mechanism from the practicality of everyday life, and he also used art to experience a physical beauty which he could never personally possess. In general, each of these uses developed as a consequence of childhood experiences.

Morgan's love of art emerged fairly early in his life. Junius Morgan had dabbled in some minor art collecting, and, as a consequence, his son was introduced to the activity at a young age. Entranced by the pass time, Pierpont Morgan began collecting almost as soon as he became financially independent. Hoyt describes the beginnings of Morgan's collection in the following manner:

Pierpont's son-in-law said that it was really the banker's nephew... who interested Pierpont in beginning his collection of manuscripts and rare edition books. The Morgan art collection of paintings, armor, and other art objects had begun in a small way even when Pierpont was first in Europe, and after he and Fanny were married he unearthed at one time a whole pile of pieces of stained glass that he had collected all over Europe. Some windows were finally made of these for the Morgan library. Pierpont was a collector, then, from an early age. (Hoyt 187)

As Hoyt states Morgan's collection began growing at an early age. He initially purchased a few insignificant pieces here and there. Then as he found overwhelming financial success with the railways he began purchasing art much more frequently. By the twentieth century he was acquiring thousands of pieces every year.

Perhaps Morgan's most spectacular collection was the book and manuscript collection to which Hoyt refers. As mentioned, the bulk of his collecting began around 1891 when Morgan's book dealer nephew, Junius, began selling him pieces. He developed an interest for Bibles and other manuscripts from the Church of England. Within six years his zeal for manuscripts had grown so significantly that he

had started purchasing entire libraries. Soon he was forced to initiate the construction of his own library to house his collection. The new library would also be home to his art collection, which had been growing steadily as well. In reference to this collection, Morgan's assemblage of paintings was fairly diverse and included classical European artists as well as American naturalist paintings. In addition to this collection of art, he was also collecting reference material whose subject matter was the realm of paintings and fine art. These materials included bibliographical material on artists, critics, technical analyses, and catalogues. To all this he added a collection of antiques, historic silver coins, bronzes, and a large collection of tapestries. (Hoyt 192)

The claim can be made that taste in art can provide some insight into an individual's internal workings, and indeed there is probably much truth to this statement. As a consequence, listing some of the pieces of art and literature which Morgan acquired during his lifetime seems worthwhile. However, analysis of art is a difficult, complex task to undertake. Therefore while some specifics of Morgan's collection will be given, no analysis of these individual pieces will follow.

Morgan's first significant acquisition was in the rare book market and entailed the purchase of a manuscript written by William Thackeray. Hoyt continues this list of purchases in his book The House of Morgan:

[Junius would soon after sell Pierpont Morgan] a first edition of Defoe's *Robinson Crusoe* and of Spenser's *Faerie Queen* and La Fontaine's *Fables*. He bought a manuscript of the elder Dumas, and a collection of autograph letters from the kings and queens of England going back to Richard III. He acquired manuscripts of Keat's *Endymion*, Charlotte Bronte's *The Professor*, and writings by Zola, John Stuart Mill, Leigh Hunt, Anthony Trollope, Benjamin Disraeli, James Fennimore Cooper—and so many others that in the cataloguing they lose their flavor...For example, he liked Dickens, so he bought hundreds of Dickens letters, other correspondence that

included copyright agreements, drawings that illustrated the *Pickwick Papers*, and Dickens' first editions and manuscripts. (Hoyt 189)

In addition to these writings, "Morgan owned sixty-six volumes of *Napoleon and His Generals* and Robert Burton's *Anatomy of Melancholy* (1612)" (Strouse 229). Within the realm of paintings Morgan owned pieces by American artists such as "Frederic Church, Asher B. Durand (*Thanatopsis*), John F. Kensett (*Sunrise in the Adirondacks*), [and] S.R. Gifford (*October in the Catskills*)" (Strouse 229). His collection of European artists included works from painters such as Biagio d'Antonio, Jacques de La Jolie the Younger, and Raphael. However, "among all the paintings that Pierpont purchased, that of the *Duchess of Devonshire* had [the most] emotional significance to him" (Hoyt 192). Morgan's father had arranged to purchase the painting years ago, but had agreed to let the work hang in exhibit for a few weeks before he made the acquisition. While on exhibit the painting was stolen, and JSM was never in his lifetime able to recover the painting. In the early part of the nineteenth century the painting was finally recovered, and Morgan in turn purchased the painting. After acquiring the piece Morgan displayed the painting in his father's house which he had inherited after JSM's death. With regard to Morgan's collection of artistic reference material, Strouse writes:

He owned Crowe & Cavalcaselle's *Early Flemish Paintings*, Vasari's *Lives of Painters*, Michael Bryan's *Dictionary of Painters and Engravers*, books on Venice and Pompeii, several volumes on ceramics, and a catalogue of the Louvre's collection before 1815, a Ruskin's *Modern Painters*, *Stones of Venice*, and *Seven Lamps of Architecture*. (Strouse 229)

All said, the value of Morgan's private collections at his death was estimated to be somewhere between \$50 and \$60 million. In his will Morgan gave all of his collection to his son Jack Morgan, but explicitly expressed a desire for generous contributions of art to be made to American museums. The younger Morgan would oblige him and soon after, everything in the collection not housed in the Morgan Library

was put on display. Eventually, the public would even be given access to those items in the Library as it was eventually opened to the public.

The motivation behind Morgan's excessive art collecting is fairly complex and multifaceted. First and foremost, Morgan undoubtedly initiated his large-scale collecting in order to both use and exhibit his elephantine wealth. Large art collections were common place for many of the industrial barons. In regard to this point, Hoyt writes:

In the nineteenth century Europeans snickered when Americans spoke of art collection. There were too many men like Alexander Turney Stewart, the New York merchant, who filled his mansion on Fifth Avenue with what would later be called "nineteenth-century junk." There were too many, like William Henry Vanderbilt, who commissioned paintings to be done for them, stipulating the size and scene. (187)

Such was the tendency of the financially endowed to purchase in bulk artistic work in order to fill space and exhibit wealth. Morgan in some respects followed this movement, and the beginning of his large-scale collecting was probably a consequence of this tendency within affluent society. (Note, however, that unlike many of his peers Morgan's collection certainly did not want for quality.)

Art, however, was more to Morgan than just a pastime of the wealthy. For Morgan, art was also significant because of its ability to reflect beauty. Beauty exists in everyday life. Objects, events, or ideas that when experienced bring inspiration, satisfaction, or illumination are considered to be beautiful. Of course, beauty is a quality that is relative to the observer because the ability of an object or an idea to inspire, satisfy, or illuminate is dependent upon the observer's knowledge and experiences. For instance, one individual may find a newborn child to be beautiful, another may find beauty in a flower, or still another could discern beauty in the charitable acts of a neighbor or friend.

However, a profusion of unhappiness exists in life. In a speech made to the English people Frederick Edwin Smith said, "From the very dawn of the world man has been a combative animal. To

begin with, he fought violently for his own elemental needs; later, perhaps in tribal or communal quarrel; later still, with the growth of greater communities" (Heffer 141). Smith's words seem to cast humanity as a destructive lot. Perpetually engaged in war and always struggling to survive. Indeed, most of the time life is a complicated and often difficult journey, and as a result beauty is often suppressed by the trials and tribulations of everyday life—by both stress and distress. As a result, the beauty which can be experienced in life is often overlooked. For instance, the beauty inherent in a newborn baby may be lost or forgotten after only a couple of sleepless nights, or during drought a flower, which was before a symbol of the beauty of nature, may wither; the beauty of the blossom forever lost.

In life little exists that is permanently beautiful, and as a result art is significant because it captures a moment of beauty and frees it from the cruelty of reality. Free of time art makes the beauty of life immortal. Art was significant to Morgan because of its ability to reflect beauty, and in turn beauty was important to him for its ability to inspire.

For a man such as Morgan, who possessed mandarin tastes but was raised in a very straight-laced, Spartan culture, art was a counter-symbol to practicality and the suppression of emotion. Strouse comments on Morgan's childhood in the following manner:

Like most mid-nineteenth-century American Protestants, Junius saw male childhood not as a time for exploration and play but as a training ground for the serious business of adult life.

Some of the moral lessons he directed at his son addressed specific behavior, but most of them prescribed the Yankee virtues of industry, prudence, veracity, thrift—qualities summed up by the term *character*. (32)

For a boy weaned on the "serious business of adult life," exposure to paintings during adulthood must have, at least to some extent, been a means to counteract the ridged, practical life learned during boyhood. However, art had this effect on Morgan not just because it served no *practical* purpose, but

also because art, through beauty, inspires and moves the mind to lofty places. Elaine Scarry in her book On Beauty and Being Just writes, "Beauty quickens. It adrenalizes. It makes the heart beat faster. It makes life more vivid, animated, living worth living" (23). She continues, "At the moment one comes into the presence of something beautiful, it greets you. It lifts away from the neutral background as though coming forward to welcome you—as though the object were designed to 'fit' your perception" (23). Scarry's words would have been wholly embraced by Morgan; for him the beauty of art had the ability to inspire and lift away not only itself but him also from the "neutral background" of everyday life. There are colors, emotions, and stories in art that are free from the harsh realities of life which inspired Morgan.

Without question humanity as a whole seeks out beauty, for beauty inspires and motivates the individual. In beauty humanity finds pleasure; in *Endymion* (one of the books by John Keats that Morgan owned) the author expresses this sentiment in saying, "A thing of beauty is a joy forever" (Keats 63). In beauty we also discover truth; Keats writes, "'Beauty is truth, truth beauty,'--that is all / Ye know on earth, and all ye need to know" (Keats 277). To some, beauty is a fundamental element of existence; in *The Rhodora* Ralph Waldo Emerson writes, "If eyes were made for seeing / Then Beauty is its own excuse for being" (Emerson 38). The human fascination with beauty is apparent, and unquestionably the beauty of art influenced Pierpont Morgan's desire to collect.

Morgan and the End of an Era

In 1913, Pierpont Morgan at age 75 was touring Egypt as he did almost every year. Years earlier exhaustion had forced him to delegate his responsibilities to Morgan partners. Now only contacted when transactions involving multi-million dollar sums were to be undertaken, Morgan was effectively retired. He had always possessed a temperament similar to his mother's—irritable, moody, and prone

to deep and lingering depression. Having throughout his life medicated himself with hard-work, stagnation and inactivity were beginning to show their effects. By 1913, Morgan was gravely depressed and not even Egypt, Morgan's beloved travel destination, could cure him. On Morgan's last trip to Egypt Sinclair writes:

At Luxor, Morgan felt too ill to visit the Valleys of the Kings. He agreed to drive across the desert to a fresh archaeological site, but the journey exhausted him. On the voyage farther up the Nile to Aswan he was weak and restless and depressed. The overland trip by railroad to Khartoum was canceled, and Morgan's boat hurried downriver to Luxor, where he was struck down by nervous indigestion. He thought he might die in an alien land and insisted on getting back to a Christian country to meet his Maker. (228)

With serious concerns about his health, Morgan and party quickly returned to Rome. Morgan spent the days with his daughter and close friends, but they offered him no peace. He was unsettled, nervous, and waiting for death. Sinclair writes:

There was nothing organically wrong with Morgan, only a settled melancholy and the loss of his will to live...On Easter Sunday, he went to the American Church, but he fidgeted and complained during the sermon, insisting on leaving the service early. He took sedation, but was unable to escape from his nervous depression. He stayed in his suite in the Grand Hotel during the next few days and nights, unable to eat, starving to death. His mind began to wander back through his life. At times he thought he was a boy in Hartford, a youth in Vevey, a family man at his home in New York. Just after midnight on Monday, March 31, he pointed at the ceiling and said, "I've got to go up the hill." He fell unconscious and did not awake again. (229)

Physically and mentally exhausted from a lifetime of building and no longer desiring life, Morgan passed away at age 75.

As with the death of any great man, the media had much to say about the departure. The financial community heralded Morgan as a man of great intelligence and leadership, though some understood that the world he had helped create was changing. The Wall Street Journal testifying to Morgan's financial intelligence wrote at his death, "There will be no successor to Morgan" (Quoted in Corey 410). The New York World recognizing the changing times, nevertheless, proclaimed Morgan to be both dynamic and respectable.

He was the last of his line. Never again will there be another J. Pierpont Morgan... No man clothed with irresponsible, autocratic power would be expected to wield it more honorably or ably or patriotically than he. But the system itself is impossible... The Morgan empire is one that the satraps cannot govern and will not be permitted to govern. (Quoted in Corey 410)

From outside of the financial world Morgan also received praises. Pope Pius would say of Morgan, "He was a great and good man" (Quoted in Corey 411). Another church official would write, "The good that Mr. Morgan has done Christ's cause is incalculable, and Christ's cause is the nation's and the world's welfare" (Quoted in Corey 411). On April 1, almost every public sentiment regarding Pierpont Morgan's death reflected positively on the mega-banker, a surprising fact given public and political opinion was beginning to turn against the world Morgan represented.

The socioeconomic outlook in America was the reason underlying this almost unanimous public approval. Just a year earlier, Morgan and his institutions had been a national target as the progressive political parties were looking to redistribute wealth and reassert the authority of the American government over business. When President Woodrow Wilson won the presidential election that year, American workers achieved a sort of small victory; the new President with his democratic ideas would look after the working class people. This achievement lessened the pre-election hostility toward American big-business. The struggle would intensify in the years to come, but Morgan would not be around for the coming conflict. In a way, his departure was perfectly timed. The American people

understood that industrial chieftains had been critical to the development of American's manufacturing and commercial infrastructure. They could even tolerate the accumulation by these individuals of great wealth, for they had risked much and, in most cases, worked incessantly to build their kingdoms. In a way, they were inspirational—validating the American dream and providing a socioeconomic class to which others could aspire. By 1920, the harsh conditions imposed by these bosses of industry would make such admiration almost impossible, but by mid-decade this animosity was still just beneath the surface; the American people by the time of Morgan's death could still appreciate the role America's industrial barons played in the development that occurred during the Second Industrial Revolution. For this reason, on his death, Morgan was heralded as a great leader and mastermind.

Intimately involved in the American transition from rural backcountry to industrialized superpower, the significance of Morgan to the outcome of history is clear. Morgan is what Thomas Carlyle in his book On Heroes, Hero-worship, and the Heroic in History called history's Great Men.

Carlyle on these men would write:

For, as I take it, Universal History, the history of what man has accomplished in this world, is at bottom the History of the Great Men who have worked here. They were the leaders of men, these great ones; the modelers, patterns, and in a wide sense creators, of whatsoever the general mass of men contrived to do or to attain; all things that we see standing accomplished in the world are properly the outer material result, the practical realization and embodiment, of thoughts that dwelt in the Great men sent into the world. (3)

Indeed by Carlyle's description the label of Great Man seems natural, for Morgan was modeler and creator all in one. However, with all such people one is bound to question the character and circumstances which propels them to power. Was Morgan thrust into power by fortune or was his greatness a function of his own capacity? Surely Morgan's timing was impeccable; to be born into a

leading banking family during an age of unprecedented financial growth is comparable to winning the lottery.

Morgan's luck was indeed significant to his rise, but his qualities as an individual were paramount. As history has demonstrated, the sons of great, self-made men often amount to nothing. Unable to escape the shadow of their fathers they are usually crushed by self-absorption and self-pity. Morgan, however, proved to be an exception and would eventually surpass his father in almost every measure. This in itself is a monumental feat considering the circumstances of Morgan's life. The epitomizing tragedy of his youth, the sudden death of the woman that he loved only weeks after their marriage, must have alone been debilitating. In addition, there other more continual nuisances that plagued him, such as a demanding father who dictated the course of his life and required from his son the utmost obedience. The inability to choose one's own career must have also been stifling. Further expounding the issue, Morgan also required faced a depressed mother; having "withdrawn from the family into depression and reproach" Morgan's mother could offer him no comfort when the realities of life became harsh. As if all of this was not enough, Morgan was constantly struggling with debilitating illnesses that would often leave him bedridden. However, even with so much set against him, Morgan would still not allow his circumstances to defeat him. Causing him to forever more seek order over chaos, these events would certainly leave their mark, but they would not defeat him. A desire for order, however, would not be the only psychological quality that Morgan would develop during his youth. Morgan's father was an extremely patriarchal figure. This tendency, being constantly reinforced by society and the banking environment of the time, was eventually adopted by Morgan.

Returning to the tragedy of Morgan's life, it seems as if it would be easy to lose faith and become disheartened in his situation. Morgan, however, did have the advantage of his family's banking background. His family's wealth allowed him the opportunity to travel to Switzerland and Germany to study at some of the leading universities in the world. Moreover, his education extended beyond the

classroom—as Morgan’s father assigned him tasks in his banks and took him to stockholder meetings. JSM was giving his son hands-on experience in the field that would become his profession. In addition to all of this, the Morgan family had a tradition of success. Morgan’s grandfather and father had both been successful men, and Morgan gained a wealth of knowledge from them. Finally, Morgan, during his early years, experienced a series of business successes. All of these advantages lead Morgan to develop a confidence in his business abilities early on, and this combined with his desire for control and patriarchal nature would define Morgan as an individual.

Desire for control, a patriarchal nature, and an extreme self-confidence regarding his business skills were the defining characteristics which dictated Morgan’s rise to wealth and power. They would be the characteristics that guided his actions as he consolidated railway after railway. Taking each under his personal control, eliminating competition between rivaling factions, and creating ever larger economies of scale, Morgan was able to revitalize the ailing railway industry. Morgan, with his creation of US Steel, was able to use these same techniques to consolidate the steel industry. While both the railway consolidations and US Steel were business operations, Morgan was able repay the nation that had made him rich in 1907. Threatened by serious financial crisis Morgan’s actions that year guided the nation to safety. Taking the country under his wing, Morgan used all of his powers and saved the United States from economic chaos.

The events, characteristics, and actions which have been mentioned are the aspects that defined Morgan. They made him incredibly wealthy; a wealth which he used primarily for the purpose of collecting art. Art for Morgan was also critical. Capable of capturing the beauty in life, Morgan perceived art as purveyor of beauty and beauty as a complimentary opposite to his life. An escape from the practicality of his own life and a compensation for his own lack of beauty, art was Morgan’s pleasure and the capstone of his life as a colossal figure in history.

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